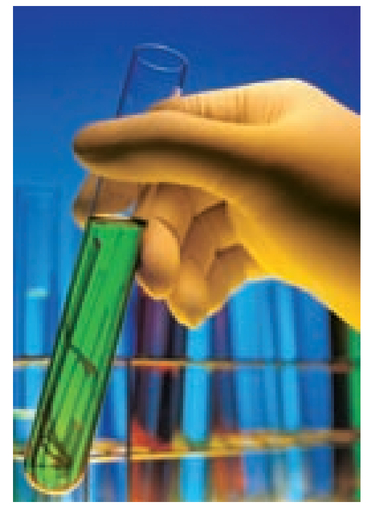
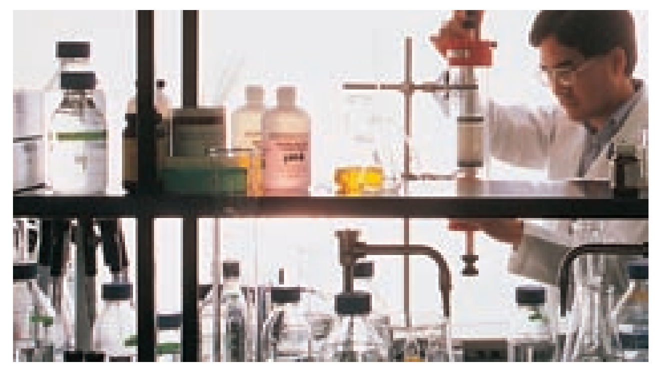
SAMCHEM HOLDINGS BERHAD
(797567-U)
(Incorporated in Malaysia under the Companies Act, 1965)



ANNUAL REPORT 2013



www.samchem.com.my

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SAMCHEM HOLDINGS BERHAD

CORPORATE VISION

We strive to excel as one of the leading industrial chemicals distributors in Malaysia and the Asia-Pacific region.

We reach out to our customers with our competencies to satisfy the anticipated needs of our customers identified by our capabilities and meet the commitments that have been made to enhance relationships.

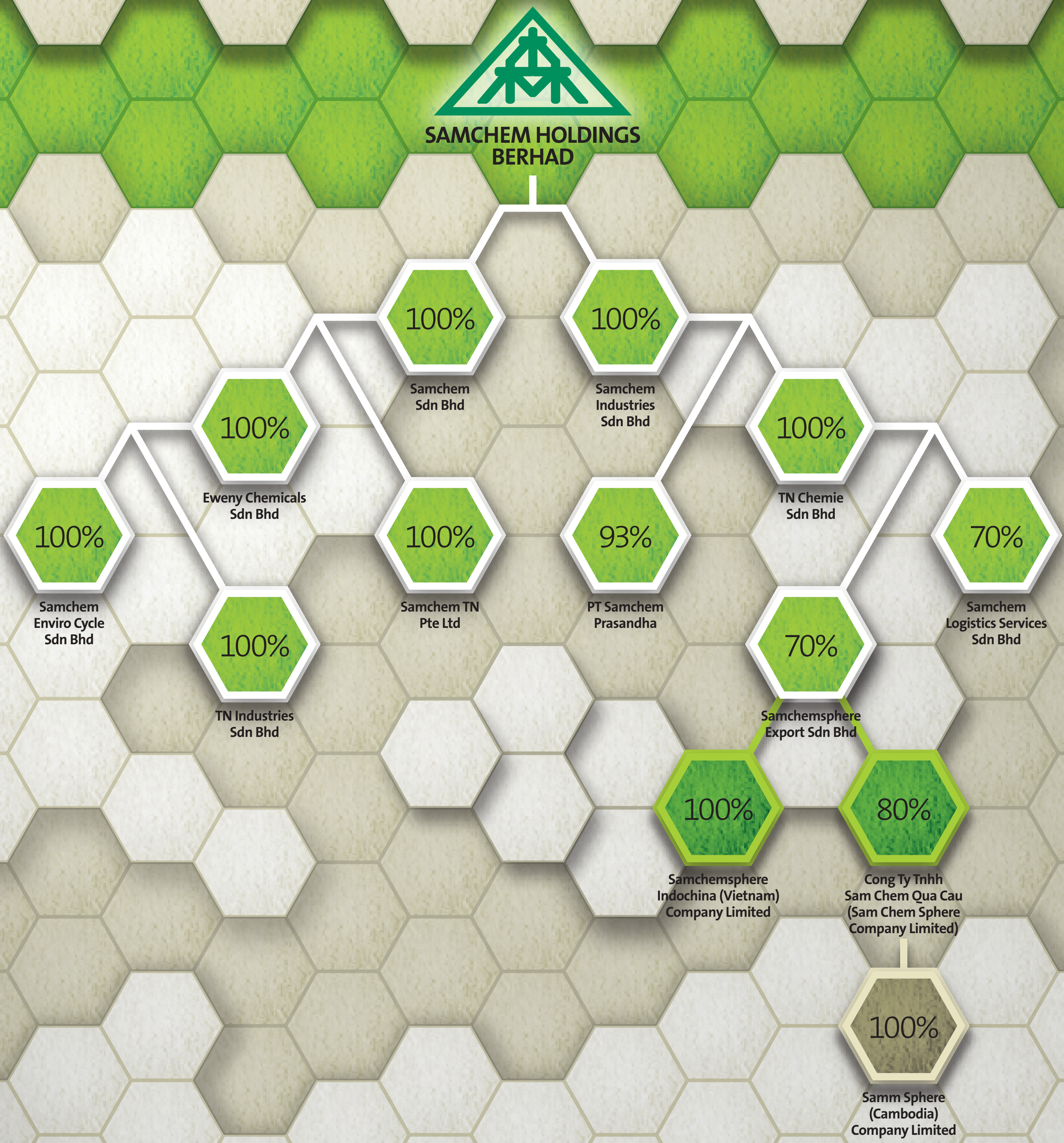
CORPORATE MISSION STATEMENTS

To integrate synergistic process outsourcing alliances and partnerships with our MNC chemical suppliers in order to satisfy our mutual needs for strategic interdependency in the chemical industry supply chain.

To form and govern conformance of the strategic choices and actions of the management with the intention to continously improve our future performance.

To be the preferred chemicals distributor to suppliers and customers.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

1. Ng Thin Poh
Executive Chairman
2. Dato' Ng Lian Poh
Chief Executive Officer
3. Ng Soh Kian
Executive Director
4. Chooi Chok Khooi
Executive Director
5. Cheong Chee Yun
Independent Non-Executive Director
6. Dato' Theng Book
Independent Non-Executive Director
7. Lee Kong Hoi
Independent Non-Executive Director

AUDIT COMMITTEE

Cheong Chee Yun
Chairman

Dato' Theng Book

Lee Kong Hoi

REMUNERATION COMMITTEE

Dato' Theng Book
Chairman

Ng Thin Poh

Lee Kong Hoi

NOMINATION COMMITTEE

Lee Kong Hoi
Chairman

Dato' Theng Book

Cheong Chee Yun

COMPANY SECRETARY

Wong Youn Kim
(MAICSA 7018778)

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel: 03-2283 6050
Fax: 03-2283 6072

CORPORATE OFFICE

Lot 6, Jalan Sungai Kayu Ara 32/39
Seksyen 32, 40460 Shah Alam
Selangor Darul Ehsan
Tel: 03-5740 2000
Fax: 03-5740 2101
Website: www.samchem.com.my
E-mail: inquiry@samchem.com.my

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya, Selangor
Tel: 03-7784 3922
Fax: 03-7784 1988

AUDITORS

Baker Tilly AC
Baker Tilly MH Tower
Level 10, Tower 1
Avenue 5, Bangsar South City
59200 Kuala Lumpur

SOLICITORS

Lee, Perara & Tan

PRINCIPAL BANKERS

Malayan Banking Berhad

United Overseas Bank (Malaysia) Bhd

AmBank (M) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

DIRECTORS' PROFILE

NG THIN POH
Executive Chairman

Ng Thin Poh, a Malaysian aged 56, has been re-designated as our Executive Chairman effective 1 March 2014. He stepped down as Chief Executive Officer on 1 March 2014 and continues to play an integral role in the Group as Executive Chairman. He graduated with a Bachelor of Science (Honours) degree, majoring in chemistry, from University of Malaya in 1981. Upon graduation, he started his career in chemical distribution as a Sales Executive in Texchem Malaysia Sdn Bhd. In 1982 and 1983, he was a Sales Executive in Jebsen & Jessen (M) Sdn Bhd and Rhone-Poulenc Sdn Bhd respectively, of which both companies are distributors of chemicals. In 1989, he left Rhone-Poulenc Sdn Bhd and founded SCSB. He is actively involved in expanding the Group's business territory in the South East Asia region.

DATO' NG LIAN POH
Chief Executive Officer

Dato' Ng Lian Poh, a Malaysian aged 47, was appointed as our Executive Director on 29 November 2007. On 1 March 2014, he assumed the role of Chief Executive Officer. He obtained a Sijil Tinggi Persekolahan Malaysia from Sekolah Menengah Tunku Mohd, Kuala Pilah in 1988. In 1990, he started his career as a sales representative in API Sdn Bhd, a construction material trading company and rose through the ranks to become a Sales Executive before leaving in 1993. In 1994, he began his career in chemical distribution when he joined Thiam Joo (M) Sdn Bhd, a company trading in solvent chemicals, as a Sales Executive. In 1996, he joined SCSB and was appointed as the Executive Director of SCSB group. Dato' Ng Lian Poh is responsible for executing our Group's strategy and plays a pivotal role in developing our Group's business. He was instrumental in setting up and expanding our chemical distribution business in South East Asia region.

NG SOH KIAN
Executive Director

Ng Soh Kian, a Malaysian aged 46, was appointed as our Executive Director on 27 February 2009. He graduated with a Diploma in Business Studies from Southern College, Johor in 1989. In 1990, he was employed as an Assistant Production Controller in United Plastics Sdn Bhd, a company involved in plastic injection. From 1991 to 1993, he was attached to Thiam Joo (M) Sdn Bhd, as a Sales Executive. In 1993, he started his own sole proprietorship, namely TNN Chemie, which was involved in the trading of solvent and chemicals. In 2001, he incorporated TN Chemie and has been the Managing Director of the company since its inception. He is presently responsible for the general management of TN Chemie. Over the years, he has successfully established a sales and distribution network, driven product innovation and maintained quality control as well as continuously driven the growth of the business and improved efficiency in the company, thus leading to the creation of a strong and reliable chemical company with a competitive edge.

CHOOI CHOK KHOOI
Executive Director

Chooi Chok Khooi, a Malaysian aged 57, was appointed to the Board on 27 February 2009. In 1976, he started his career at Eastern Hotel, Ipoh, Perak. He obtained a LCCI certificate in Accounting in 1977. Between 1978 and 1982, he was employed as an Assistant Manager in Chemikas Sdn Bhd, where he was responsible for handling the company's administrative, purchase, sales and collection activities. In 1982, he started his own sole proprietorship, namely Unichem Enterprise, which is involved in the dealings of chemicals. In 1990, Mr. Chooi founded Eweny Chemicals and has been the Managing Director of the company since inception. With more than 30 years experience in the chemical business, Mr. Chooi is presently responsible for handling Eweny Chemicals' administrative and sales activities.

CHEONG CHEE YUN

Independent
Non-Executive Director

Cheong Chee Yun, a Malaysian, aged 53, is a chartered accountant member of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Institute Bank-Bank Malaysia. In 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Bhd (then known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last position held was as Manager rank. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as director in 1999. In 2001, he joined Saferay (M) Sdn Bhd a manufacturer and exporter of Architectural Mouldings as an executive director. In 2003, he was also appointed a non-executive Director in CS Opto Semiconductors Sdn Bhd but had resigned in 2012. In 2006, he was appointed as an Operational Director in Eastmont Sdn Bhd a building construction services company. Currently, he also holds the post as director of Enco Holdings Sdn Bhd a green renewable energy outfit. He is also an independent non-executive director for ManagePay Systems Bhd which is listed with Bursa Malaysia. He has also recently been appointed as a director to Kencana Bio Energy Pte Ltd, Singapore which owns biomass electrical power plants.

DATO' THENG BOOK

Independent
Non-Executive Director

Dato' Theng Book, a Malaysian aged 54, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated with a Bachelor of Law from the University of London, United Kingdom in 1991, and holds a Certificate of Legal Practice. He also holds a Bachelor of Science from Campbell University, United States of America awarded in 1984, Diploma in Science from Tunku Abdul Rahman College awarded in 1984 and a Diploma of Business Studies from Institute of Commercial Management, United Kingdom awarded in 1986. He began his career in the chemical business as a sales executive to the Chief Executive Officer of a foreign company involved in chemical manufacturing/trading, from 1984 to 1994. Since 1995, he has been practicing as an advocate and solicitor under the partnership known as Messrs Ling & Theng Book, Advocates & Solicitors. He is presently an independent non-executive Director of Ajiya Berhad.

LEE KONG HOI

Independent
Non-Executive Director

Lee Kong Hoi, a Malaysian aged 50, was appointed to the Board as our Independent Non-Executive Director on 27 February 2009. He graduated from Tafe College Randwick, New South Wales, Australia in 1990 with a Diploma in Travel Tourism. After graduation, Mr. Lee commenced his career as Post-Sale Supervisor with Sanyo Australia Pty Ltd. for big retail giants such as Grace Brothers, David Jones, Harvey Norman and Dick Smith Electronics in Australia. His responsibilities included conducting training for pre-sales, managing inventories of spare parts, attending to product complaints, planning after-sales repairs and managing a team of eight (8) merchandisers.

Between 1994 and 1998, he joined Reapfield Property Sdn Bhd, where he served as Project Sales Manager. Within this duration, he was in-charge of sales launches of several high-end properties such as Phileo Damansara and Phileo Avenue.

In 1999, he joined Dancom TT&L Telecommunication Sdn Bhd ("Dancom") as Corporate Sales Manager. Dancom is a dealer for office automation and IT products. His responsibilities include conducting market studies as well as developing new and existing brands represented by Dancom's 12 branches and 300 dealers nationwide.

In 2006, he moved on to join MCM Technology Berhad as General Manager. In 2009, Mr. Lee started his own multimedia & web interoperability services company providing consultancy, project management, software customization, system integration and open source development.

NOTES:

i. Ng Thin Poh and Dato' Ng Lian Poh are brothers. Other than the above, none of the Directors has any family relationship with each other and with any substantial shareholders of the Company.

ii. None of the Directors has any conviction for offences, other than traffic offences, within the past 10 years.

iii. Other than the related party transactions disclosed in Note 32 of the Financial Statements, none of the Directors has conflict of interest with the Company.

iv. Except as disclosed above, none of the Directors holds any directorship in other public companies.

v. The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholdings section of the Annual Report.

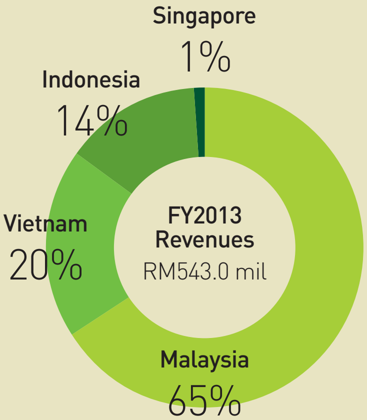
Dear Shareholders,

On behalf of the Board of Directors of Samchem Holdings Berhad (Samchem or the Group), it is my great pleasure to present to you the 2013 Annual Report and the audited financial statements for the financial year ended 31 December 2013 (FY2013).

2013 was a year of perseverance for Samchem, with the prevailing uncertainties in the global economic landscape, led chiefly by Europe, United States, and China. This resulted in the dampened demand across the manufacturing sector in the region.

Nonetheless, I am glad to note that the strategic initiatives undertaken by Samchem in recent years, particularly in establishing strong presence in emerging South East Asian countries, have started to bear fruits. This has enabled Samchem to deliver commendable financial performance during the year under review, despite the tough environment.

"In FY2013, Samchem's group topline grew by 3.1% to RM543.0 million from RM526.4 million previously, largely attributable to the Group's foreign subsidiaries."



FY2013 Revenues by geographical segments

FINANCIAL PERFORMANCE

In FY2013, Samchem's group topline grew by 3.1% to RM543.0 million from RM526.4 million previously, largely attributable to the Group's foreign subsidiaries.

Revenue from the Group's operations in Malaysia declined slightly to RM352.6 million in FY2013, from RM373.9 million previously, as overall demand for industrial chemicals were dampened by slower growth in the Malaysian manufacturing sector. Even so, Samchem's Malaysian operations remained the largest contributor to the Group, constituting 64.9% of overall group revenue.

Our foreign subsidiaries noted respectable expansion in the year under review.

Our operations in Vietnam registered a 22.8% jump in revenue in FY2013 to RM109.9 million compared to RM84.8 million in the previous year. This was attributable to the growing and vibrant Vietnamese economy, alongside our business development efforts in the country.

Furthermore, our subsidiary in Indonesia recorded RM74.5 million sales in FY2013, increasing 12.5% from RM66.2 million a year ago, mostly stemming from a widened clientele base together with an expanded product range.

Moreover, we noted higher revenue contributions of RM4.3 million from our Singapore operations in FY2013, compared to RM 1.5 million a year ago.

However, the Group's profitability was impacted by higher operating costs, keener competition; higher finance costs; and the weaker Malaysian Ringgit versus United States Dollar.

Resulting from these, group profit before tax and net profit amounted to RM13.8 million and RM9.4 million respectively in FY2013, versus RM12.9 million and RM9.3 million respectively in FY2012.

Basic earnings per share rose to 6.43 sen in FY2013, compared to 6.40 sen in FY2012.

Group total borrowings increased to RM140.9 million in end-FY2013 versus RM125.5 million a year ago, largely due to expanded trade lines in tandem with the larger revenue base. Cash and bank balances dipped slightly to RM40.9 million in the year under review as compared to RM49.1 million as at previous year end. Subsequently, the Group's net gearing rose from 0.73 time a year ago to 0.90 time at end-FY2012, a level which we are still comfortable, given that a substantial portion of the borrowings was trade-related.

DIVIDEND

In line with our dividend practice, the Board has declared a first and final dividend of 2.5 sen per share in respect of FY2013 for shareholders' approval at the forthcoming Annual General Meeting. If approved, this will translate into a dividend payout of RM3.4 million or 36.2% of FY2013 group net profits.

FUTURE OUTLOOK

The global economy is expected to chart a rebound in 2014 to grow by an average of 3.7% compared to 3.0% in 2013, according to statistics by the International Monetary Fund. This arises from the gradual recovery in the Eurozone, and supported by key emerging markets of Brazil, Russia, India, and China.

Closer to home, the regional Centre for Economics and Business Research opines for the South East Asian Market to demonstrate quicker gross domestic product growth of 5.3% in 2014. This is expected to be propelled by investment growth, Government spending, and domestic consumption.

Against this backdrop, we intend to capture the rising demand for chemical products and consumption in the local and regional arenas.

For one thing, we aim to increase our market share in the domestic landscape by strengthening our distribution network, as well as obtaining more product distribution rights. This will certainly sharpen our competitive edge.

Additionally, Samchem endeavours to double up our efforts to reinforce our position in the regional markets. Our operations in Vietnam, Indonesia, and Singapore have shown encouraging growth thus far, and we will leverage our wide product range to secure a larger customer base going forward. Our first-mover advantage, especially in Vietnam and Indonesia, accords us the opportunity to aptly support the rapidly-growing economies.

As such, we remain optimistic of our outlook, and anticipate to mark a sustainable growth going forward.

CORPORATE GOVERNANCE

We are dedicated to ensuring that our business is governed effectively together with strong controls. This philosophy operates throughout the Group; thus, creating an effective board and management team is a vital part of the Group's success while ensuring shareholders' value.

Measures carried out to this effect are specified in the Corporate Governance Statement in this Annual Report.

APPRECIATION

On behalf of the Board, I would sincerely like to record my appreciation to all our stakeholders especially our valued shareholders, customers, and partners for persevering and weathering the headwinds with us in the year under review. Lastly, I would also like to commend my fellow Board members, management team, and staff for the continuous efforts to sustain the Group in 2013.

We thank you in advance for your continued support as we face the coming years, and look forward to a mutually beneficial partnership.

Thank you.

Ng Thin Poh
Executive Chairman

The Board of Directors ("the Board") of Samchem Holdings Berhad ("the company" or "Samchem") is fully committed to promote and achieve the highest standard of corporate governance and to ensure that the principles and best practices in corporate governance as detailed in the Malaysian Code on Corporate Governance ("the Code") are practised and adopted in Samchem and its subsidiaries ("the Group").

The Board continuously evaluates the Group's corporate governance practices and procedures with a view to adopt and implement the principles and best practices as recommended by the Code, wherever applicable, as a fundamental part of discharging its duties and responsibilities to protect and enhance shareholders' value. The Board believes that good corporate governance results in creation of long term value and benefits for all shareholders.

SECTION 1: THE BOARD OF DIRECTORS

The Board takes full responsibility for the performance of the Group and guides the Group towards achieving its short and long term objectives, setting corporate strategies for growth and new business development while providing advice and direction to the Management to enable the Group to achieve its corporate goals and objectives.

Composition of the Board and Board Balance

The Board members are professionals from diverse disciplines, tapping their respective qualifications and experiences in business, commercial, and financial aspects. Together, they bring a wide range of experience and expertise which are vital towards the effective discharge of the Board's responsibilities for the successful direction and growth of the Group. A brief profile of each Director is presented on pages 4 to 5 of this Annual Report.

The Board currently consists of seven (7) members, comprising of four (4) Executive Directors and three (3) independent Non-executive Directors. This is in line with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), which require that at least two (2) or one-third (1/3) of the Board members, whichever is the higher, to be Independent Directors.

The Independent Directors also have the necessary skill and experience to bring an independent judgment to bear the issues of strategy, performance, resources including key appointments and standard of conduct.

The Independent Directors are independent of Management and majority shareholders. They provide independent views and judgment and at the same time, safeguard the interests of parties such as minority shareholders. No individual or group of individuals dominates the Board's decision making and the number of directors fairly reflects the investment of the shareholders.

Mr. Ng Thin Poh had retired from the position of Chief Executive Officer recently and only takes on the role of Executive Chairman of the Group. His successor, Dato' Ng Lian Poh has vast experience in chemical distribution industry, good entrepreneurship skills and are capable to lead the Company to the next level, the Board maintain that this arrangement is in the best interest of the Group.

All the Directors have given their undertaking to comply with the Listing Requirements of Bursa Securities and the Independent Directors have confirmed their independence in writing.

Board Responsibilities

Having recognised the importance of an effective and dynamic Board, the Board's members are guided by the area of responsibilities as outlined:

- Reviewing and adopting strategic plan for the Group;
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed;
- Identifying the principal risks and key performance indicators of the Group's businesses and ensuring that appropriate systems are implemented and/or steps are taken to manage these risks;
- Developing and implementing an investors relations programme or shareholder communication policy for the Group; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Appointments to the Board

Nomination Committee

The Nomination Committee comprises the following members:

Name of Director	Designation	Directorship
Lee Kong Hoi	Chairman	Independent Non-Executive
Cheong Chee Yun	Member	Independent Non-Executive
Dato' Theng Book	Member	Independent Non-Executive

The Board annually reviews the required mix of skills, experience and other qualities of the directors to ensure that the Board is functioning effectively and efficiently.

The Nomination Committee's primary responsibilities include:

a) leading the process for Board appointments and making recommendations to the Board.

b) assessing Directors on an on-going basis.

c) annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarization with the Company's operations.

Re-Election of Directors

In accordance with the Company's Article of Association, all Directors including directors holding an executive position of Chief Executive Officer, the Managing Director, if any, shall retire from office at each Annual General Meeting, provided always that every Director shall retire at least once in every three (3) years. The retiring Directors shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year shall hold office until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Director's Training

The Group acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, technological advances in the core business, latest regulatory updates, and management strategies. In compliance with the Listing Requirements and the relevant Practice Note issued by Bursa Securities, all Directors have completed their Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities.

The Directors are also aware of their duty to undergo appropriate training from time to time to ensure that they are equipped to carry out their duties effectively. The Board is mindful therefore of the need to keep abreast of changes in both the regulatory and business environments as well as with new developments within the industry in which the Group operates. Whenever the need arises, the Company provides briefings of new recruits to the Board, to ensure they have a comprehensive understanding on the operations of the Group and the Company.

During the financial year ended 31 December 2013, the external training programmes and seminars attended by the Director are as follows:

Directors	Courses/Seminar/Conference
Cheong Chee Yun	Limited Liability Partnership And The New Taxation Entity by MIA and SSM jointly
	An Overview of the Indonesia Financial Accounting Standards (IFAS) Framework organised by Fortress Intelligence
	AmBank Markets Economic Compass – (Managing Change: Poised for a turnaround) organised by AmBank Group

Supply of Information

The Board has a formal schedule of matters for decision-making to ensure that the direction and control of the Group is firmly in its hands.

Prior to each Board meeting, a full agenda together with relevant reports and comprehensive Board papers would be distributed to all Directors in a timely basis to enable the Directors to consider the matters to be deliberated and where necessary, obtain further information.

Proceedings of Board meetings are duly recorded and signed by the Chairman of the meeting.

Every Director has full and timely access to all Group Information, records, documents and property to enable them in discharge their duties and responsibilities effectively. The directors, whether collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense, if required.

Board Meetings

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were five (5) Board meetings held during the financial year ended 31 December 2013 and the details of attendance are as follows:

Directors	Meetings attended by the Directors/Total Number of Meeting held during the financial year ended 31 December 2013	% of Attendance
Executive Chairman		
Ng Thin Poh	5/5	100
Chief Executive Officer		
Dato' Ng Lian Poh	5/5	100
Executive Directors		
Ng Soh Kian	5/5	100
Chooi Chok Khooi	5/5	100
Independent Non-Executive Directors		
Dato' Theng Book	5/5	100
Lee Kong Hoi	5/5	100
Cheong Chee Yun	5/5	100

During the financial year ended 31 December 2013, five Board meetings were convened on 21/2/2013, 12/4/2013, 21/5/2013, 23/8/2013 and 22/11/2013 respectively.

Restriction on Directorships

The number of Directorships held by the Directors is stated in the Profile of Directors in the Annual Report.

Board Committees

The Board has established the following Committees to assist the Board in discharging its duties and responsibilities effectively:

- Audit Committee
- Nomination Committee
- Remuneration Committee

The terms of reference of each Board Committee are set out in Board Charter and have been approved by the Board. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.

Audit Committee

The report of the Audit Committee is set out on pages 16 to 18 of this Annual Report

Nomination Committee

The details of the Nomination Committee are set out on page 9 of this Annual Report

Remuneration Committee

The details of the Remuneration Committee are set out on page 11 of this Annual Report.

In line with best practices in Corporate Governance, the Code recommends for the establishment of the following committees:

1) Nomination Committee

The primary function of the Nomination Committee is to propose new nominees for the Board and to assess directors on an ongoing basis.

As the existing Board members are professionals from diverse disciplines, the Board collectively undertakes to review the required skills sets annually to ensure that it has an optimal mix of expertise and experience.

2) Remuneration Committee

The primary function is to set the policy framework for the remuneration of the directors to ensure that the policy on directors' are sufficient to attract and retain directors of the calibre needed to manage the Group successfully.

The determination of remuneration of our Executive and Non-Executive Directors shall be a matter to be determined by our Board as a whole after taking into consideration the Remuneration Committee's recommendation.

SECTION 2: DIRECTOR'S REMUNERATION

(a) Remuneration Procedure

The remuneration of directors is formulated to be competitive and realistic, emphasis being placed on performance and calibre, with aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Group effectively.

For Executive Directors, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The determination of the remuneration package of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussing their own remuneration.

The Remuneration Committee's primary responsibilities include establishing, reviewing and recommending to the Board the remuneration packages of each individual Executive Directors and the Company Secretary.

The Remuneration Committee is also responsible for recommending the remuneration for the senior management and that the remuneration should reflect the responsibility and commitment that goes with it.

The primary roles and responsibilities of the Committee are clearly defined and include the following:

- To review the required mix of skills, experience and other qualifications which Directors (including Independent Directors) should bring to the Board in order for the Board to function effectively;
- To annually review and assess the contribution of each individual Director and to recommend to the Board new candidates for appointment as Director if there is a need for additional Board Members;
- To recommend to the Board a framework for remuneration for the Board and each Executive Director, which include but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- To establish objectives performance criteria and measurement to evaluate the performance and effectiveness of the Board as a whole and to assess the contribution by each individual Director.

(b) Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2013 are as follows:

	Executive Directors	Non-Executive Directors
Emoluments	1,998,974	7,500
Estimated monetary value of benefits-in-kind	89,250	—
Fees	—	84,000

The number of Directors whose remuneration falls into the following bands is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
< RM100,000	—	3
RM100,001-RM200,000	—	—
RM200,001-RM500,000	3	—
RM500,001-RM1,000,000	1	—

SECTION 3: SHAREHOLDERS

Dialogue between Company and Investors

The Board maintains an effective communications policy that enables both the Board and the management to communicate effectively with its shareholders, stakeholders and the public. The policy effectively interprets the operations of the Group to the shareholders and accommodates feedback from shareholders, which are factored into the Group's business decision.

The Board communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:

i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on Audit Committee and Board of Directors;

ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;

iii. the Company website at www.samchem.com.my;

iv. regular meetings with research analysts and fund managers to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; and

v. participation in surveys and research conducted by professional organisations as and when such requests arise.

The Annual General Meeting

The Annual General Meeting serves as an important means for shareholders communication. Notice of the Annual General Meeting and Annual Reports are sent to shareholders twenty one days prior to the meeting.

At each Annual General Meeting, the Board presents the progress and performance of the Group's business and encourages attendance and participation of shareholders during questions and answers sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.

SECTION 4: ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects through the quarterly announcement of results to the Bursa Malaysia as well as the Chairman's statement, review of operations and annual financial statements in the Annual Report. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by overseeing and reviewing the financial statements and quarterly announcements prior to the submission to Bursa Securities.

The Directors are responsible to ensure that the annual financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and Companies Act, 1965. A Statement by the Directors of their responsibilities in preparing the financial statements is set out separately on page 23 of this Annual Report.

Internal Control and Risk Management

The Board acknowledges their responsibilities for the internal control system of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management. Information of the Group's internal control and risk management is presented in the Statement on Risk Management and Internal Control set out on pages 14 to 15 of the Annual Report.

Relationship with Auditors

The Board establishes formal and transparent arrangements for maintaining an appropriate relationship with the Group's Auditors, both internal and external. Whenever the need arises, the Auditors would highlight to the Audit Committee and the Board from time to time on matters that require the Board's attention.

SECTION 5: RESPONSIBILITY STATEMENT BY DIRECTORS

The Board is responsible to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year ended.

In preparing the financial statements, the Directors have:

i. Adopted the appropriate accounting policies and applied them consistently

ii. Made judgements and estimates that are reasonable and prudent;

iii. Ensure applicable approved accounting standards have been followed and any material departures have been disclosed and explained in the financial statements; and

iv. Ensure the financial statements have been prepared on a going concern basis.

The Board is responsible for keeping proper accounting records of the Group and the Company, which disclosure with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Board is also responsible for taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

SECTION 6: COMPLIANCE STATEMENT

The Company has, in all material aspects, complied with the recommendations of the Code throughout the financial year, save for the following:

(a) the Board must comprise a majority of independent directors where the chairman of the Board is not an independent director;

(b) Nomination a Senior Independent Non-Executive Director to whom concerns may be conveyed;

(c) Formalize, periodically review and make public Board Charter.

With the recent retirement of Mr Ng Thin Poh as Chief Executive Officer of the Company, the Board feels that his successor, Dato' Ng Lian Poh's capability to show leadership and entrepreneurship skills, business acumen and his vast experience in chemical distribution industry, will lead the Company to the next level and this is in the best interest of the Group.

However, moving forward, the Board will take steps to appoint additional independent Directors so that the Board comprises majority of independent directors where the chairman of the Board is not an independent Director or to restructure its composition to be in line with the recommendations of the Code.

The Board shall nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed as and when the need arises.

Going forward, the Board intends to strengthen its roles and responsibilities by:

(i) Defining the board schedule of matters of those functions reserved to the Board and delegated to management;

(ii) Implementing whistle blowing policy and procedure to provide employee with a mechanism to monitor the compliance of code of ethics;

(iii) Setting out clearly the code of conduct that stipulates the sound principles to provide guidance to stakeholders on the ethical behaviours to be expected from the Group;

(iv) Defining its business sustainability policy and ensuring its current business decision making process incorporate the elements of Environment, Social and Governance ("ESG") within its value chain in the business processes; and

(v) Formalising the above actions into its board charter and creating a new page on corporate governance in the present corporate website to keep the public and shareholder informed of its progress and status of the above actions.

INTRODUCTION

This Statement on Risk Management and Internal Control is made in accordance with the Malaysian Code on Corporate Governance and paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, which requires Malaysian public listed companies to maintain a sound system of risk management and internal control to safeguard the shareholders' investments and the Group's assets.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities and reaffirms its commitment to recognise the importance of an effective and appropriate system of internal control and risk management practices to enhance good corporate governance. In this respect, the Board is responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's systems of internal control and risk management.

The systems of internal control and risk management cover inter alia, governance, financial organisation, operational and compliance control. However the Board recognises that this system is designed to manage and control risk appropriately rather than eliminate the risks of failure to achieve the Group's business objectives. Accordingly, these systems can only provide reasonable, but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

RISK MANAGEMENT

Risk management is embedded in the Group's management systems. The identification, evaluation and management of significant risks faced by the core business of the Group is an on-going process with the close involvement of the Executive Directors of the Group in the daily operations during the financial year under review and up to the date of approval of this statement. There are also reviews of operational and financial performance at Management, Audit Committee and Board Meetings. The Board and Management ensure that appropriate measures are taken to address any significant risks.

INTERNAL AUDIT FUNCTION

The Group's Internal Audit function is outsourced to an external consultant to assist the Board and Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system, the scope of the review of the outsourced internal audit function is determined by the Audit Committee with feedback from Executive Management.

The internal audit scope has been agreed with the Audit Committee and the outsourced internal audit function is currently in the process of executing as per the approved internal audit plan.

OTHER KEY INTERNAL CONTROL PROCESSES

The Board has considered the system of internal control in operation during the financial year and some of the key elements include the following:

- Annual budget is prepared for the Group;
- The Executive Directors and departmental heads meet quarterly to review the financial performance of the Group to ensure that they are in line with the corporate objectives, strategies and annual budget;
- Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee have been established with defined terms of reference;
- Management organisation structure with reporting lines of accountability and authority have been defined and documented;
- There are proper procedures within the Group for hiring and termination of staff, formal training programmes for staff, annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities;
- Continuous compliance and maintenance of the requirements of ISO 9001:2008 and ISO 14001:2004 since February 2008 in major subsidiaries in Malaysia. This includes continuous implementation, improvement and compliance to our business process, health, environmental and safety guidelines. Audits on the management systems are carried out by the Management and by a certification body. These audits are conducted annually to provide assurance of compliance with ISO 9001:2008 Quality Management System and ISO 14001:2004 Environmental Management System;

- The Audit Committee reviews the quarterly financial results, annual report, audited financial statements and internal control issues identified by the External Auditors, Internal Auditors and the management. The Audit Committee also monitors the implementation of the recommendations proposed by the External Auditors and Internal Auditors; and
- The outsourced internal audit function reviews the adequacy and integrity of the system of internal control according to the approved internal audit plan and reports its findings to the Audit Committee. During the financial year, some areas of improvement to internal control were identified and addressed accordingly. Nevertheless, the identified weaknesses in the internal control have not resulted in any material losses and/or require further disclosure in this Statement.

ASSURANCE PROVIDED BY THE GROUP EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Group Managing Director and Group Financial Controller have provided verbal assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objective during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

CONCLUSION

The Board is of the view that the systems of internal controls and risk management, are in place for the year under review and up to the date of approval of this statement and is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. The Board also recognises that the systems of internal control and risk management must continuously improve in line with the growth of the Group and evolving business environment. Therefore, the Board is committed to put in place adequate plans, where necessary, to continuously improve the Group's system of internal control and risk management.

The Audit Committee of Samchem Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

COMPOSITION OF THE AUDIT COMMITTEE AND ATTENDANCE

The Audit Committee met five times during the financial year ended 31 December 2013. The members of the Audit Committee, their attendance at the Audit Committee Meetings held during the financial year ended 31 December 2013 are as follows:

Members of the Audit Committee	Total Meetings Attended
Cheong Chee Yun – Chairman Independent Non-Executive Director	5/5
Dato' Theng Bok – Member Independent Non-Executive Director	5/5
Lee Kong Hoi – Member Independent Non-Executive Director	5/5

TERMS OF REFERENCE OF AUDIT COMMITTEE

(A) Terms of Membership

The Audit Committee shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman, who shall be elected by the Audit Committee, must be an independent director.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least three (3) years' working experience and he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or he must hold a degree/master/doctorate in accounting or finance and have at least 3 years' post qualification experience in accounting or finance; or he must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the Audit Committee resulting in the non-compliance with the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three (3) months.

The Board of Directors shall review the term of office and the performance of an Audit Committee and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the Audit Committee.

(B) Meetings and Quorum of the Audit Committee

In order to form a quorum in respect of a meeting of the Audit Committee, the majority of the members present must be independent directors. The Company Secretary shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Audit Committee may require the attendance of any management staff from the Finance/Accounts Department or other departments deemed necessary together with a representative or representatives from the external auditors and/or internal auditors.

In the five meetings, the Chief Financial Officer was present to report on the results of the Group as well as to answer questions posed by the Audit Committee in relation to the results to be announced.

In any event, should the external auditors request, the Chairman of the Audit Committee shall convene a meeting of the committee to consider any matter the external auditors believe should be brought to the attention of the Director or shareholders.

(C) Functions of the Audit Committee

The duties and responsibilities of the Audit Committee include the following:

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
2. To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
3. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;
4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;

5. To review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on:
    a. Changes in or implementation of major accounting policies and practices;
    b. Significant adjustments arising from the audit;
    c. The going concern assumption; and
    d. Compliance with accounting standards and other legal requirements.
6. To discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);
7. To review the external auditor's management letter and management's response;
8. To do the following in relation to the internal audit function:
    a. review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    b. review the internal audit programmes and the results of the internal audit processes or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
    c. review any appraisal or assessment of the performance of members of the internal audit function;
    d. approve any appointment or termination of senior staff members of the internal audit function; and
    e. take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
9. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group;
10. To consider the major findings of internal investigations and the management's response;
11. To consider any other functions or duties as may be agreed by the Committees and the Board.

(D) Rights of the Audit Committee

The Audit Committee has ensured that it shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure determined by the Board:

1. have authority to investigate any matter within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company and Group;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. be able to obtain independent professional or other advice when needed; and
6. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

(E) Procedure of Audit Committee

The Audit Committee regulates its own procedures by:

1. the calling of meetings;
2. the notice to be given of such meetings;
3. the voting and proceedings of such meetings;
4. the keeping of minutes; and
5. the custody, protection and inspection of such minutes.

(F) Summary of Activities of the Audit Committee

During the financial year up to the date of this Report, the Audit Committee carried out the following activities in discharging their duties and responsibilities:

I Financial Results

Review quarterly results and audited annual financial statements of the Group and Company before recommending to the Board for release to Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The review should focus primarily on:

a. major judgmental areas, significant and unusual events;

b. significant adjustments resulting from audit;

c. the going concern assumptions;

d. compliance with applicable approved accounting standards in Malaysia; and

e. compliance with Listing Requirements of Bursa Malaysia and other regulatory requirements.

II External Audit

Reviewed with the external auditor, their audit plan for the financial year ended 31 December 2013 to ensure that their scope of work adequately covers the activities of the Group;

Reviewed the results and issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Committee; and

Reviewed their performance and independence before recommending to the Board their reappointment and remuneration.

III Internal Audit

Reviewed with the internal auditor, their audit plan for the financial year ended 31 December 2013 ensuring that principal risk areas were adequately identified and covered in the plan;

Reviewed the competencies of the internal auditors to execute the plan; and

Reviewed the adequacy of the terms of reference of internal audit.

The fees paid to the internal auditor for the provision of internal audit services for the financial year ended 31 December 2013 was RM48,000.

1. **Utilisation of Proceeds from the Initial Public Offering**

Save for the RM3.535 million gross proceeds raised from its Initial Public Offering ("IPO") in connection with its listing on the Main Market of Bursa Malaysia Securities Berhad, which had been fully utilised in financial period ended 31 December 2011, there were no proceeds raised from any corporate proposal during the financial year 2013.

2. **Share Buy-back**

The Company did not carry out any share buy-back for the financial year under review.

3. **Options, Warrants or Convertible Securities**

There were no options, warrants or convertible securities issued during the financial year.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**

The Company did not sponsor any ADR or GDR programme during the financial year.

5. **Imposition of sanctions/penalties**

There were no sanctions or penalties imposed by the relevant regulatory bodies on the Company or its subsidiaries, directors or management during the financial year.

6. **Non-Audit fees**

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2013 is RM8,000.

7. **Profit Forecast or Projections**

The Company did not announce any profit forecast or projections during the financial year.

8. **Profit Guarantee**

During the financial year, there were no profit guarantees given by the Group.

9. **Recurrent Related Party Transactions of Revenue or Trading Nature**

The recurrent related party transactions for the financial year ended 31 December 2013 was as follows:

Company in the Samchem Group involved	Transacting parties	Nature of Transaction	Transaction Value (RM)
Samchemsphere Export Sdn Bhd (SSE)	Vigor Sphere Pte Ltd (VS)	Sales from SSE to VS	214,747
Samchem Sdn Bhd (SCSB)	Vigor Sphere Pte Ltd (VS)	SCSB purchase from VS	1,300,773

9. **Recurrent Related Party Transactions of Revenue or Trading Nature** (cont'd)

The recurrent related party transactions for the financial year ended 31 December 2013 was as follows:

Company in the Samchem Group involved	Transacting parties	Nature of Transaction	Transaction Value (RM)
Samchem Sdn Bhd (SCSB)	Across Horizon Enterprise (ACHZ)	SCSB purchase from ACHZ	59,700
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	Sales from TNC to VS	166,123
TN Chemie Sdn Bhd (TNC)	Vigor Sphere Pte Ltd (VS)	TNC purchase from VS	815,456
Cong Ty Tnhh Sam Chem Qua Cau (SQC)	Vigor Sphere Pte Ltd (VS)	SQC purchase from VS	2,085,418
Cong Ty Tnhh Sam Chem Qua Cau (SQC)	Vigor Sphere Pte Ltd (VS)	Sales from SQC to VS	333,258

10. **Revaluation Policy**

The Company does not have a revaluation policy on landed properties.

11. **Material Contract**

There were no material contracts entered by the Company and its subsidiaries involving Directors' interests during the financial year.

12. **Corporate Social Responsibility**

As the Group expands its business, the Board believes that the responsibility towards the society increases and the operating conditions shall be harmonised to ensure that the people within and outside the Group benefit from the existence of our organisation.

13. **Safety and Health**

The Group is committed to provide a safe and healthy working environment for the employees under the stringent requirements of HSE ('Health, Safety and Environment'). We constantly monitor and keep ourselves updated with the latest HSE requirements and regulations through various training programmes carried out by our suppliers, customers and external organisers. Our Group also undergoes regular audits of its warehousing and logistics functions which are carried out by representatives from our MNC suppliers and has complied with the stringent requirements of all such audits to-date.

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	**9,393,808**	**5,012,842**
Profit attributable to:		
Owners of the Company	**8,740,036**	**5,012,842**
Non-controlling interests	**653,772**	**–**
	9,393,808	**5,012,842**

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier exempt dividend of 2.5 sen per share on 136,000,000 ordinary shares of RM0.50 each amounting to RM3,400,000 on 28 June 2013 in respect of the financial year ended 31 December 2012 as reported in the directors' report of that financial year.

At the forthcoming Annual General Meeting, a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2013 of 2.5 sen on 136,000,000 ordinary shares of RM0.50 each, amounting to RM3,400,000 will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares and debentures were made by the Company.

DIRECTORS OF THE COMPANY

The directors in office since the date of the last report are:

NG THIN POH

DATO' NG LIAN POH

NG SOH KIAN

CHOOI CHOK KHOOI

DATO' THENG BOOK

LEE KONG HOI

CHEONG CHEE YUN

DIRECTORS' INTERESTS

The interests of the directors in office at the end of the financial year in the shares of the Company during the financial year are as follows:

	Number of Ordinary Shares of RM0.50 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Direct Interest				
Ng Thin Poh	59,008,602	256,800	–	**59,265,402**
Dato' Ng Lian Poh	8,261,763	–	–	**8,261,763**
Ng Soh Kian	9,797,279	–	–	**9,797,279**
Chooi Chok Khooi	4,661,066	–	–	**4,661,066**
Lee Kong Hoi	104,000	–	–	**104,000**
Indirect Interest*				
Ng Thin Poh	100,000	–	–	**100,000**
Dato' Ng Lian Poh	527,100	–	–	**527,100**
Ng Soh Kian	684,000	–	–	**684,000**

* Held through spouse and/or child of director.

By virtue of his interests in the shares of the Company, Ng Thin Poh is deemed to have interests in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The other directors in office at the end of the financial year did not have any interests in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of the emoluments received or due and receivable by the directors as disclosed in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS

Details of significant events during the financial year and subsequent to the financial year end are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Messrs. Baker Tilly AC, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 April 2014.

NG THIN POH

DATO' NG LIAN POH

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, the undersigned, being two of the directors of Samchem Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 26 to 87 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 88 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution by the Board of directors dated 17 April 2014.

NG THIN POH

DATO' NG LIAN POH

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ng Thin Poh, being the director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that, to the best of my knowledge and belief, the financial statements as set out on pages 26 to 87 and the supplementary information as set out on page 88 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Kuala Lumpur in the Federal Territory
on 17 April 2014.

NG THIN POH

Before me

TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (W533)
Commissioner for Oaths

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Samchem Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 87.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 88 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

BAKER TILLY AC
AF 001826
Chartered Accountants

LEE KONG WENG
2967/07/15(J)
Chartered Accountant

Kuala Lumpur
Date: 17 April 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Revenue	4	**543,020,917**	526,448,121	**8,134,871**	10,647,067
Cost of sales		**(494,152,250)**	(472,336,492)	**–**	–
Gross profit		**48,868,667**	54,111,629	**8,134,871**	10,647,067
Other income		**6,891,428**	3,244,768	**747,392**	411,472
Selling and distribution expenses		**(8,104,020)**	(9,891,879)	**–**	–
Administrative expenses		**(23,408,867)**	(22,669,041)	**(2,676,882)**	(2,866,234)
Other expenses		**(2,796,560)**	(4,476,697)	**(174,098)**	(98,672)
		(34,309,447)	(37,037,617)	**(2,850,980)**	(2,964,906)
Profit from operations		**21,450,648**	20,318,780	**6,031,283**	8,093,633
Finance costs		**(7,660,191)**	(7,329,370)	**(894,442)**	(837,073)
Share of results of associates		**(1,576)**	(127,732)	**–**	–
Profit before tax	5	**13,788,881**	12,861,678	**5,136,841**	7,256,560
Tax expense	7	**(4,395,073)**	(3,542,027)	**(123,999)**	(1,902,150)
Profit for the financial year		**9,393,808**	9,319,651	**5,012,842**	5,354,410
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Net fair value changes on available-for-sale financial assets		**27,601**	4,317	**–**	–
Foreign currency translation		**704,901**	(153,925)	**–**	–
Total other comprehensive income, net of tax		**732,502**	(149,608)	**–**	–
Total comprehensive income for the financial year		**10,126,310**	9,170,043	**5,012,842**	5,354,410
Profit attributable to:					
Owners of the Company		**8,740,036**	8,702,123	**5,012,842**	5,354,410
Non-controlling interests		**653,772**	617,528	**–**	–
		9,393,808	9,319,651	**5,012,842**	5,354,410
Total comprehensive income attributable to:					
Owners of the Company		**9,304,218**	8,627,726	5,012,842	5,354,410
Non-controlling interests		**822,092**	542,317	–	–
		10,126,310	9,170,043	5,012,842	5,354,410
Earnings per share attributable to owners of the Company (sen):					
Basic	8	**6.43**	6.40		
Diluted	8	**6.43**	6.40		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
ASSETS			
Non-current assets			
Property, plant and equipment	9	**32,472,916**	34,833,283
Investment properties	10	**2,146,870**	2,171,045
Prepaid land lease payments	11	**867,188**	515,477
Investments in associates	13	**831,708**	833,284
Other investments	14	**70,552**	42,951
Goodwill	15	**547,866**	547,866
Other receivables, deposits and prepayments	16	**–**	773,757
Deferred tax assets	17	**349,077**	785,823
		37,286,177	40,503,486
Current assets			
Inventories	18	**84,598,473**	57,339,460
Trade receivables	19	**127,288,673**	110,489,434
Other receivables, deposits and prepayments	16	**5,233,523**	4,795,257
Tax recoverable		**3,879,680**	2,575,184
Deposits with licensed banks	20	**28,958,995**	32,934,490
Cash and bank balances		**12,000,622**	16,164,143
		261,959,966	224,297,968
Non-current assets classified as held for sale	21	**–**	4,205,518
		261,959,966	228,503,486
TOTAL ASSETS		**299,246,143**	269,006,972

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**68,000,000**	68,000,000
Reserves	23	**40,582,601**	34,785,425
		108,582,601	102,785,425
Non-controlling interests		**2,708,755**	2,040,069
Total Equity		**111,291,356**	104,825,494
Liabilities			
Non-current liabilities			
Borrowings	24	**5,472,757**	9,388,465
Deferred tax liabilities	17	**720,836**	289,095
Retirement benefit obligations	26	**235,763**	200,360
		6,429,356	9,877,920
Current liabilities			
Trade payables	27	**42,324,242**	32,821,432
Other payables and accruals	28	**3,345,968**	3,820,222
Tax payable		**428,544**	398,057
Borrowings	24	**135,426,677**	116,113,834
		181,525,431	153,153,545
Liability directly attributable to assets classified as held for sale	21	**–**	1,150,013
		181,525,431	154,303,558
Total Liabilities		**187,954,787**	164,181,478
TOTAL EQUITY AND LIABILITIES		**299,246,143**	269,006,972

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
ASSETS			
Non-current asset			
Investments in subsidiaries	12	**79,383,392**	76,078,944
Current assets			
Other receivables, deposits and prepayments	16	**5,717,268**	9,159,552
Tax recoverable		**36,396**	90,634
Cash and bank balances		**125,931**	171,157
		5,879,595	9,421,343
TOTAL ASSETS		**85,262,987**	85,500,287
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	22	**68,000,000**	68,000,000
Reserves	23	**2,370,816**	757,974
Total Equity		**70,370,816**	68,757,974
Liabilities			
Current liabilities			
Other payables and accruals	28	**14,892,171**	16,742,313
Total Liabilities		**14,892,171**	16,742,313
TOTAL EQUITY AND LIABILITIES		**85,262,987**	85,500,287

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Attributable to Owners of the Company										
				Non-Distributable								
	Note	Share Capital RM	Distributable Retained Earnings RM	Share Premium RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 1 January 2012		68,000,000	74,290,110	954,444	82,264	3,716	(40,725,742)	135,378	(39,549,940)	102,740,170	2,974,302	105,714,472
Comprehensive income												
Profit for the financial year		–	8,702,123	–	–	–	–	–	–	8,702,123	617,528	9,319,651
Other comprehensive income												
Net fair value changes on available-far-sale financial assets		–	–	–	–	4,317	–	–	4,317	4,317	–	4,317
Foreign currency translation		–	–	–	–	–	–	(78,714)	(78,714)	(78,714)	(75,211)	(153,925)
Total other comprehensive income		–	–	–	–	4,317	–	(78,714)	(74,397)	(74,397)	(75,211)	(149,608)
Total comprehensive income for the financial year		–	8,702,123	–	–	4,317	–	(78,714)	(74,397)	8,627,726	542,317	9,170,043
Transactions with owners												
Acquisition of non-controlling interests		–	(3,142,471)	–	–	–	–	–	–	(3,142,471)	(1,431,550)	(4,574,021)
Transfer of capital reserve upon disposal of subsidiary of an associate		–	82,264	–	(82,264)	–	–	–	(82,264)	–	–	–
Dividend paid to non-controlling shareholders of the subsidiaries		–	–	–	–	–	–	–	–	–	(45,000)	(45,000)
Dividend	29	–	(5,440,000)	–	–	–	–	–	–	(5,440,000)	–	(5,440,000)
		–	(8,500,207)	–	(82,264)	–	–	-	(82,264)	(8,582,471)	(1,476,550)	(10,059,021)
Balance at 31 December 2012		68,000,000	74,492,026	954,444	–	8,033	(40,725,742)	56,664	(39,706,601)	102,785,425	2,040,069	104,825,494

		Attributable to Owners of the Company										
				Non-Distributable								
	Note	Share Capital RM	Distributable Retained Earnings RM	Share Premium RM	Capital Reserve RM	Fair Value Reserve RM	Reverse Acquisition Reserve RM	Currency Translation Reserve RM	Total Other Reserves RM	Total Equity Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 1 January 2013		68,000,000	74,492,026	954,444	–	8,033	(40,725,742)	56,664	(39,706,601)	102,785,425	2,040,069	104,825,494
Comprehensive income												
Profit for the financial year		–	8,740,036	–	–	–	–	–	–	8,740,036	653,772	9,393,808
Other comprehensive income												
Net fair value changes on available-far-sale financial assets		–	–	–	–	27,601	–	–	27,601	27,601	–	27,601
Foreign currency translation		–	–	–	–	–	–	536,581	536,581	536,581	168,320	704,901
Total other comprehensive income		–	–	–	–	27,601	–	536,581	564,182	564,182	168,320	732,502
Total comprehensive income for the financial year		–	8,740,036	–	–	27,601	–	536,581	564,182	9,304,218	822,092	10,126,310
Transactions with owners												
Acquisition of non-controlling interests		–	(107,042)	–	–	–	–	–	–	(107,042)	(117,406)	(224,448)
Dividend paid to non-controlling shareholders of the subsidiaries		–	–	–	–	–	–	–	–	–	(36,000)	(36,000)
Dividend	29	–	(3,400,000)	–	–	–	–	–	–	(3,400,000)	–	(3,400,000)
		–	(3,507,042)	–	–	–	–	–	–	(3,507,042)	(153,406)	(3,660,448)
Balance at 31 December 2013		68,000,000	79,725,020	954,444	–	35,634	(40,725,742)	593,245	(39,142,419)	108,582,601	2,708,755	111,291,356

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Share Capital RM	Non-distributable Share Premium RM	Distributable (Accumulated Losses)/ Retained Earnings RM	Total Equity RM
Balance at 1 January 2012		68,000,000	954,444	(110,880)	68,843,564
Profit for the financial year, representing total comprehensive income for the financial year		–	–	5,354,410	5,354,410
Dividend	29	–	–	(5,440,000)	(5,440,000)
Balance at 31 December 2012		68,000,000	954,444	(196,470)	68,757,974
Profit for the financial year, representing total comprehensive income for the financial year		–	–	5,012,842	5,012,842
Dividend	29	–	–	(3,400,000)	(3,400,000)
Balance at 31 December 2013		**68,000,000**	**954,444**	**1,416,372**	**70,370,816**

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

	Note	2013 RM	2012 RM
Cash Flows from Operating Activities			
Profit before tax		**13,788,881**	12,861,678
Adjustments for:			
Amortisation of prepaid land lease payments		**153,890**	86,176
Bad debts written off		**11,581**	512
Depreciation of property, plant and equipment		**3,088,894**	2,875,680
Depreciation of investment properties		**24,175**	24,175
Property, plant and equipment written off		**863**	901
Impairment loss on goodwill		**–**	9,589
Impairment loss on trade receivables		**193,270**	398,984
Impairment loss on other receivables		**–**	2,572
Impairment loss on investment in associate		**–**	5,098
Interest expense		**7,137,128**	7,329,370
Retirement benefit obligations		**62,095**	91,867
Dividend income from other investments		**–**	(457)
Net unrealised (gain)/loss on foreign exchange		**(2,268,726)**	478,719
Reversal of impairment loss on trade receivables		**(46,144)**	(12,782)
Gain on disposal of non-current assets held for sales		**(1,921,940)**	–
Gain on disposal of property, plant and equipment		**(17,432)**	(164,867)
Interest income		**(1,018,626)**	(1,182,996)
Share of results of associates		**1,576**	127,732
Operating profit before working capital changes		**19,189,485**	22,931,951
Increase in inventories		**(27,259,013)**	(7,052,993)
(Increase)/Decrease in receivables		**(14,321,587)**	9,395,845
Increase in payables		**8,727,312**	101,636
Cash (used in)/generated from operations		**(13,663,803)**	25,376,439
Tax refunded		**412,109**	–
Tax paid		**(5,110,182)**	(4,819,426)
Net cash (used in)/from operating activities carried down		**(18,361,876)**	20,557,013

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Net cash (used in)/from operating activities brought down		**(18,361,876)**	20,557,013
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**(224,448)**	(4,574,021)
Dividend received from an associate		**–**	2,640,000
Dividend received from other investments		**–**	457
Interest received		**1,018,626**	1,182,966
Purchase of property, plant and equipment	9	**(417,783)**	(6,050,227)
Proceeds from disposal of property, plant and equipment		**90,572**	358,490
Proceeds from disposal of non-current assets held for sales		**6,286,685**	–
Net cash from/(used in) investing activities		**6,753,652**	(6,442,305)
Cash Flows from Financing Activities			
Payments of finance lease payables		**(762,855)**	(1,192,866)
Interest paid		**(7,137,128)**	(7,329,370)
Net (repayment)/drawdown of bankers' acceptances		**(9,877,540)**	31,644,264
Drawdown of term loans		**–**	4,430,771
Repayment of term loans		**(4,128,298)**	(2,878,363)
Repayment of term loan attributable to non-current assets held for sale		**(1,150,013)**	–
Drawdown/(Repayment) of short term loans		**13,751,835**	(5,582,519)
Drawdown/(Repayment) of onshore foreign currency loans		**1,173,030**	(14,842,076)
Drawdown/(Repayment) of structure commodity financing-i		**3,000,000**	(3,020,144)
Drawdown/(Repayment) of trade commodity financing-i		**511,748**	(5,032,135)
Drawdown of foreign currency trade loan		**4,652,685**	–
Dividend paid to non-controlling shareholders		**(36,000)**	(45,000)
Dividend paid		**(3,400,000)**	(5,440,000)
Net cash used in financing activities		**(3,402,536)**	(9,287,438)
Net (decrease)/increase in cash and cash equivalents		**(15,010,760)**	4,827,270
Effect of exchange rate changes		**(95,786)**	(66,203)
Cash and cash equivalents at beginning of the financial year		**38,729,691**	33,968,624
Cash and cash equivalents at end of the financial year	30	**23,623,145**	38,729,691

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

	Note	2013 RM	2012 RM
Cash Flows from Operating Activities			
Profit before tax		**5,136,841**	7,256,560
Adjustments for:			
Interest expense		**894,442**	837,073
Dividend income		**(5,004,000)**	(7,518,333)
Interest income		**(276,426)**	(410,263)
Unrealised (gain)/loss on foreign exchange		**(470,966)**	98,672
Operating profit before working capital changes		**279,891**	263,709
(Increase)/Decrease in receivables		**(8,000)**	156,582
Increase/(Decrease) in payables		**85,038**	(1,302,169)
Cash generated from/(used in) operations		**356,929**	(881,878)
Dividend received		**5,004,000**	5,665,000
Tax paid		**(69,761)**	(14,669)
Net cash from operating activities		**5,291,168**	4,768,453
Cash Flows from Investing Activities			
Acquisition of non-controlling interests in subsidiaries		**(224,448)**	(4,574,021)
Repayment from/(Advances to) subsidiaries		**4,197,676**	(1,766,823)
Subscription of shares in subsidiaries		**(3,080,000)**	–
Net cash from/(used in) investing activities		**893,228**	(6,340,844)
Cash Flows from Financing Activities			
(Repayment to)/Advances from a subsidiary		**(2,829,622)**	7,126,240
Dividend paid		**(3,400,000)**	(5,440,000)
Net cash (used in)/from financing activities		**(6,229,622)**	1,686,240
Net (decrease)/increase in cash and cash equivalents		**(45,226)**	113,849
Cash and cash equivalents at beginning of the financial year		**171,157**	57,308
Cash and cash equivalents at end of the financial year	30	**125,931**	171,157

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 12. There have been no significant changes in the nature of these activities during the financial year.

The registered office is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur and the principal place of business is located at Lot 6, Jalan Sungai Kayu Ara 32/39, Berjaya Industrial Park, Seksyen 32, 40460 Shah Alam, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution by the Board of directors on 17 April 2014.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(d).

(a) New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:

New MFRSs	
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
Revised MFRSs	
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

2. BASIS OF PREPARATION (CONT'D)

(a) New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(i) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

New IC Int	
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Int	
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation- Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single entity control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 3(a). The adoption of MFRS 10 has no significant impact to the Group's financial position and performance.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardized and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries and associates. MFRS 12 disclosures are provided in Notes 12 and 13.

Amendments to MFRS 13 Fair Value Measurement

MFRS 13 defined fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 37.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

2. BASIS OF PREPARATION (CONT'D)

(a) New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(i) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (cont'd)

Amendments to MFRS 101 Presentation of Financial Statements *(cont'd)*

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 119 Employee Benefits (Revised)

MFRS 119 (Revised) eliminates the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The Group adopted MFRS 119 (Revised) in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 3(d). The adoption of MFRS 119 has no significant impact to the Group's financial position and performance.

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 9	Financial Instruments	To be announced by the MASB
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Applies when MFRS 9 is applied
MFRS 8	Operating segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2014
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 132	Financial Instruments: Presentation	1 January 2014

2. BASIS OF PREPARATION (CONT'D)

(a) New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs		
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
New IC Int		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* or MFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 *Financial Instruments: Presentation.*

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

2. BASIS OF PREPARATION (CONT'D)

(a) New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

(b) Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except for those as disclosed in the significant accounting policies note.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Significant accounting estimates and judgements

Significant areas of estimation uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) Depreciation of property, plant and equipment and investment properties (Notes 9 and 10) – The cost of property, plant and equipment and investment properties is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 5 to 50 years based on common life expectancies of the industry. The management anticipates that the residual values of the assets will be insignificant and as such, residual values are not being taken into consideration for the computation of the depreciation amount. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Deferred tax assets (Note 17) – Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unabsorbed capital allowances based on projected future profit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiaries.

(iii) Impairment loss on receivables (Notes 16 and 19) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

2. BASIS OF PREPARATION (CONT'D)

(d) Significant accounting estimates and judgements (cont'd)

(iv) Income tax expense (Note 7) – Significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different will impact the current tax and deferred tax in the periods in which the outcome is known.

(v) Annual testing for impairment of goodwill (Note 15) – The measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management covering a 5-year period. For cash flows beyond the fifth year period, it is extrapolated using estimated growth rates and discount rates applied to the cash flow projections.

(vi) Provision for retirement benefit obligations (Note 26) – The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty.

(vii) Operating lease and finance lease for leasehold land (Notes 9 and 11) – Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset and operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership. If the leasehold land meets the criteria of the financial lease, the lease will be classified as property, plant and equipment if it is for own use. Judgements are made on the individual leasehold land to determine whether the leasehold land qualifies as operating lease or finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries which are disclosed in Note 12 made up to the end of the financial year.

A subsidiary is an entity, including structured entities, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements;
- the nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

Subsidiaries (cont'd)

(i) Business Combinations under acquisition method

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures the cost of goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Reverse Acquisition

Pursuant to the share sales agreement signed between Samchem Sdn. Bhd. and Samchem Holdings Berhad on 16 June 2008, the Company had on 20 February 2009 completed the acquisition of a total of 8 companies ("Acquired Group") from Samchem Sdn. Bhd. The Group's consolidated statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows are prepared and presented as a continuation of the Acquired Group (the acquirer for reverse acquisition accounting purposes).

For the purpose of reverse acquisition accounting, the cost of acquisition by the Acquired Group of the Company (the legal parent) is recorded as equity. The cost of acquisition is determined using the fair value of the issued equity of the Company before acquisition. It is deemed to be incurred by the Acquired Group in the form of equity issued to the owners of the legal parent.

Since such consolidated financial statements represent as continuation of the financial statements of the Acquired Group:

(a) the assets and liabilities of the Acquired Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amount;

(b) the retained earnings and the other equity balances recognised in those consolidated financial statements are the retained earnings and other equity balances of the Acquired Group immediately before the business combination; and

(c) the amount recognised as issued equity instruments in those consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the combination of the acquisition. However, the equity structure appearing in those consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (the Company), including the equity instruments issued by the Company to reflect the combination.

Reverse acquisition applies only in the consolidated financial statements. In the legal parent (the Company's) separate financial statements, the investment in the legal subsidiary (the Acquired Group) is accounted for in accordance with the requirements of MFRS 127 Consolidated and Separate Financial Statements.

(iii) Acquisitions of Non-controlling Interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transaction between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

Subsidiaries (cont'd)

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling Interests

Non-controlling interests at the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the other comprehensive income for the financial year between non-controlling interests and owners of the Company.

(vi) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(ii) Foreign Operations Denominated in Functional Currencies other than Ringgit Malaysia (cont'd)

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiary is taken to the consolidated profit or loss.

(c) Revenue Recognition

(i) Goods Sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Transportation charges

Transportation charges are recognised upon performance of services, net of discounts.

(iii) Rental Income

Rental income is recognised on a straight-line basis over the term of the lease.

(iv) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(v) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(vi) Management Fees

Management fees are recognised when services are rendered.

(d) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Employee Benefits (cont'd)

(iii) Defined Benefit Plans

A subsidiary of the Company operates an unfunded defined benefit scheme. The subsidiary's net obligation under the scheme is determined by estimating the amount of benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value of the liability. The subsidiary's obligation is calculated using the projected unit credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(f) Tax Expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior financial years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Leasehold land is depreciated over the lease term ranges from 60 years to 94 years. Freehold land is not depreciated. Building-in-progress is not depreciated as the asset is not available for use. All other property, plant and equipment are depreciated on the straight line basis to write off the cost of the property, plant and equipment over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Property, Plant and Equipment and Depreciation (cont'd)

The principal annual rates used for this purpose are:

Buildings	2% – 5%
Motor vehicles	12.5% – 25%
Plant and machinery	10% – 25%
Renovation and office equipment	10% – 33.3%
Signboard, furniture and fittings	10% – 15%

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(h) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated. Building is depreciated on a straight line basis at 2% per annum to write off the cost of the asset to its residual value over the estimated useful life.

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of investment properties. These are adjusted prospectively, if appropriate.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

(i) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transactions costs.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(k) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the weighted average basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and has categorised the financial assets as loans and receivables and available-for-sale financial assets.

(i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables comprise trade and other receivables including deposits and amount due from subsidiaries and cash and cash equivalents (excluding bank overdrafts).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial Assets (cont'd)

(ii) Available-for-sale Financial Assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables. Available-for-sales financial assets include investments in quoted shares.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commit to purchase or sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

(n) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Impairment of Financial Assets (cont'd)

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost (cont'd)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft.

(p) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(q) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits (including deposits received on sale of properties), amount due to subsidiary and accruals, and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Leases

(i) Finance Lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis. The up-front payment for lease of land represents prepaid land lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating Lease – the Group as Lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on their geographical locations which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

(t) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(u) Provisions

A provision is recognised if, as a result of a past event, the Group has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities or assets are not recognised in the statements of financial positions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Non-current asset held for sale

Non-current asset classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts for the non-current assets are measured in accordance with the Group's accounting policies. On initial classification as held for sale, non-current assets measured at the lower of carrying amount immediately before the initial classification as held for sale and fair value costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

Non-current assets held for sale are classified as current assets in the face of the statements of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

If the Group has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the assets held for sale. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset been classified as held for sale; and

(b) its recoverable amount at the date of subsequent decision not to sell.

(x) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13 Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative affected the measurements of the Group's assets or liabilities other than the additional disclosures.

4. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Management fees	**–**	–	**3,130,871**	3,128,734
Dividend income	**–**	–	**5,004 ,000**	7,518,333
Sales of goods	**542,992,027**	526,338,402	**–**	–
Transportation charges	**28,890**	109,719	**–**	–
	543,020,917	526,448,121	**8,134,871**	10,647,067

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Auditors' remuneration:				
– Statutory audit	**174,984**	156,344	**24,500**	15,000
– Other services by auditors of the Company	**9,000**	8,000	**9,000**	7,500
Amortisation of prepaid land lease payments	**153,890**	86,176	**–**	–
Bad debts written off	**11,581**	512	**–**	–
Depreciation of investment properties	**24,175**	24,175	**–**	–
Depreciation of property, plant and equipment	**3,088,894**	2,875,680	**–**	–
Direct operating expenses for investment properties				
– generated rental income	**2,849**	2,849	**–**	–
– did not generate rental income	**826**	826	**–**	–
Impairment loss on				
– goodwill	**–**	9,589	**–**	–
– investment in associate	**–**	5,098	**–**	–
– trade receivables	**193,270**	398,984		
– other receivables	**–**	2,572	**–**	–
Interest expense	**7,137,128**	7,329,370	**894,442**	837,073
Property, plant and equipment written off	**863**	901	**–**	–
Rental of premises	**970,634**	695,028	**–**	–
Rental of motor vehicle	**77,452**	87,531	**23,604**	23,604
Rental of storage tank	**2,624,267**	1,883,046	**–**	–
Net (gain)/loss on foreign exchange				
– realised	**1,782,289**	2,156,422	**174,098**	(1,209)
– unrealised	**(2,268,726)**	478,719	**(470,966)**	98,672
Employee benefits expense (including key management personnel)				
– contributions to Employees Provident Fund	**774,823**	805,357	**236,365**	276,204
– retirement benefit obligations	**62,095**	91,867	**–**	–
– wages, salaries and others	**9,560,092**	9,381,095	**2,028,238**	1,790,146
Dividend income from other investments	**–**	(457)	**–**	–
Fair value gain on derivative financial instruments	**–**	(178,345)	**–**	–
Gain on disposal of property, plant and equipment	**(17,432)**	(164,867)	**–**	–
Gain on disposal of non-current assets held for sales	**(1,921,940)**	–	**–**	–
Interest income	**(1,018,626)**	(1,182,996)	**(276,426)**	(410,263)
Rental income	**(612,588)**	(245,299)	**–**	–
Reversal of impairment loss on trade receivables	**(46,144)**	(12,782)	**–**	–

6. DIRECTORS' REMUNERATION

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Directors of the Company				
Executive Directors				
– Other emoluments	**1,998,974**	1,726,340	**1,868,834**	1,596,200
– Estimated monetary value of benefits-in-kind	**89,250**	89,250	**89,250**	89,250
	2,088,224	1,815,590	**1,958,084**	1,685,450
Non-executive directors				
– Fees	**84,000**	86,000	**84,000**	86,000
– Other emoluments	**7,500**	6,000	**7,500**	6,000
	91,500	92,000	**91,500**	92,000
	2,179,724	1,907,590	**2,049,584**	1,777,450
Directors of subsidiaries				
Executive directors				
– Other emoluments	**953,497**	976,722	**–**	–
	3,133,221	2,884,312	**2,049,584**	1,777,450

7. TAX EXPENSE

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current tax:				
Malaysian income tax				
– Current financial year	**2,680,700**	3,847,583	**175,200**	1,874,700
– (Over)/Under provision in prior financial year	**(131,401)**	(7,122)	**(51,201)**	27,450
	2,549,299	3,840,461	**123,999**	1,902,150
Foreign income tax				
– Current financial year	**958,600**	512,826	**–**	–
	3,507,899	4,353,287	**123 ,999**	1,902,150
Deferred tax:				
Origination and reversal of temporary differences	**536,123**	(860,043)	**–**	–
Relating to changes in income tax rate	**(31,200)**	–	**–**	–
Reversal of deferred tax assets recognised in prior financial year	**343,005**	–	**–**	–
Under provision of deferred tax liabilities in prior financial year	**39,246**	48,783	**–**	–
	887,174	(811,260)	**–**	–
Tax expense	**4,395,073**	3,542,027	**123,999**	1,902, 150

7. TAX EXPENSE (CONT'D)

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before tax	**13,788,881**	12,861,678	**5,136,841**	7,256,560
Tax at the Malaysian statutory income tax rate of 25%	**3,447,200**	3,215,420	**1,284,200**	1,814,100
Tax effects arising from:				
– non-deductible expenses	**1,294,936**	847,457	**328,800**	152,900
– non-taxable income	**(935,913)**	(553,324)	**(1,437,800)**	(92,300)
– double deduction	**(51,600)**	–	**–**	–
– utilisation of reinvestment allowances	**(44,800)**	(41,715)	**–**	–
Effect of changes in income tax rate	**(12,600)**	–	**–**	–
Deferred tax assets not recognised during the financial year	**446,600**	595	**–**	–
Effect on share of results of associates	**400**	31,933	**–**	–
(Over)/Under provision of current tax in prior financial year	**(131,401)**	(7,122)	**(51,201)**	27,450
Reversal of deferred tax assets recognised in prior financial year	**343,005**	–	**–**	–
Under provision of deferred tax liabilities in prior financial year	**39,426**	48,783	**–**	
Tax expense	**4,395,073**	3,542,027	**123,999**	1,902,150

Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current year's rate of 25% with effect from year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

The Group has estimated unutilised tax losses of RM3,177,900 (2012: RM963,800) and unabsorbed capital allowances of RM106,300 (2012: RM108,800) carried forward available for set off against future taxable profits.

8. EARNINGS PER SHARE

(a) Earnings per share

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to equity holders of the Company of RM8,740,036 (2012: RM8,702,123) by the weighted average number of ordinary shares in issue during the financial year of 136,000,000 (2012: 136,000,000) ordinary shares of RM0.50 each.

(b) Diluted Earnings per share

Diluted loss per share is equivalent to the basic earnings per share as there were no potential dilutive ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Total RM
Cost									
At 1 January 2013	7,276,336	2,974,944	650,000	18,177,800	7,488,620	5,577,774	4,015,273	629,829	46,790,576
Additions	–	–	–	197,555	116,354	79,161	133,713	–	526,783
Disposals	–	–	–	–	(195,567)	–	–	–	(195,567)
Transfer from building in progress to other assets	–	–	–	–	–	–	–	–	–
Written off	–	–	–	–	–	–	(4,704)	–	(4,704)
Effect of movement in exchange rate	–	–	–	191,845	121,654	93,166	35,695	–	442,360
At 31 December 2013	7,276,336	2,974,944	650,000	18,567,200	7,53 1,061	5,750, 101	4,179,977	629,829	47,559,448
Accumulated Depreciation									
At 1 January 2013	–	41,319	80,881	1,872,739	4,359,737	2,540,807	2,687,510	374,300	11,957,293
Charge for the financial year	–	49,583	17,647	414,735	1,107,668	1,038,120	408,386	52,755	3,088,894
Disposals	–	–	–	–	(122,427)	–	–	–	(122,427)
Written off	–	–	–	–	–	–	(3,841)	–	(3,841)
Effect of movement in exchange rate	–	–	–	19,925	64,976	61,664	20,048	–	166,613
At 31 December 2013	–	90,902	98,528	2,307,399	5,409,954	3,640,591	3,112,103	427,055	15,086,532
Net Carrying Amount									
At 31 December 2013	7,276,336	2,884,042	551,472	16,259,801	2,121,107	2,109,510	1,067,874	202,774	32,472,916

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Motor Vehicles RM	Plant and Machinery RM	Renovation and Office Equipment RM	Signboard, Furniture and Fittings RM	Total RM
Cost									
At 1 January 2012	7,276,336	3,556,034	650,000	14,981,263	7,719,666	3,486,813	3,654,034	629,829	45,713,559
Additions	–	2,974,944	–	157,667	930,636	491,796	185,079	–	6,782,698
Disposals	–	–	–	–	(1,116,675)	–	(4,450)	–	(1,121,125)
Transfer from building in progress to other assets	–	–	–	3,110,685	–	1,633 ,290	201,583	–	–
Written off	–	–	–	–	–	–	(7,982)	–	(7,982)
Effect of movement in exchange rate	–	–	–	(71,815)	(45,007)	(34,125)	(12,991)	–	(163,938)
Transfer to non-current assets classified as held for sale (Note 21)	–	(3,556,034)	–	–	–	–	–	–	(4,412,636)
At 31 December 2012	7,276,336	2,974,944	650,000	18,177,800	7,488,620	5,577,774	4,015,273	629,829	46,790,576
Accumulated Depreciation									
At 1 January 2012	–	164,147	63,234	1,509,622	4,059,811	1,834,594	2,311,819	318,548	10,261,775
Charge for the financial year	–	84,290	17,647	367,116	1,240,099	720,484	390,292	55,752	2,875,680
Disposals	–	–	–	–	(923,719)	–	(3,783)	–	(927,502)
Written off	–	–	–	–	–	–	(7,081)	–	(7,081)
Effect of movement in exchange rate	–	–	–	(3,999)	(16,454)	(14,271)	(3,737)	–	(38,461)
Transfer to non-current assets classified as held for sale (Note 21)	–	(207,118)	–	–	–	–	–	–	(207,118)
At 31 December 2012	–	41,319	80,881	1,872,739	4,359,737	2,540,807	2,687,510	374,300	11,957,293
Net Carrying Amount									
At 31 December 2012	7,276,336	2,933,625	569,119	16,305,061	3,128,883	3,036,967	1,327,763	255,529	34,833,283

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Net carrying amount of motor vehicles, plant and machinery of the Group held under finance lease arrangements are as follows:

	Group 2013 RM	Group 2012 RM
Motor vehicles	**1,449,540**	1,942,110
Plant and machinery	**82,573**	412,863
	1,532,113	2,354,973

Net carrying amounts of property, plant and equipment pledged as security for borrowings (Note 24) are as follows:

	Group 2013 RM	Group 2012 RM
Freehold land	**7,276,336**	7,276,336
Long term leasehold land	**2,884,042**	2,933,625
Short term leasehold land	**551,472**	569,119
Buildings	**16,259,801**	16,305,061
	26,971,651	27,084,141

The short term leasehold land has unexpired lease period of less than 50 years while the long term leasehold land has unexpired lease period of more than 50 years.

Building in progress in the previous financial year is in respect of construction of factory buildings on freehold and leasehold land of the Group.

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group 2013 RM	Group 2012 RM
Additions of property, plant and equipment	**526,783**	6,782,698
Less: Financed by finance lease arrangement	**(109,000)**	(732,471)
	417,783	6,050,227

10. INVESTMENT PROPERTIES

	Group 2013 RM	2012 RM
Costs		
At 1 January / 31 December	**2,388,398**	2,388,398
Accumulated Depreciation		
At 1 January	**217,353**	193,178
Depreciation charge for the financial year	**24,175**	24,175
At 31 December	**241,528**	217,353
Net carrying amount	**2,146,870**	2,171,045
At 31 December		
Fair value of investment properties	**6,100,000**	5,600,000

The fair value of investment properties was arrived by reference to market evidence of transaction prices for similar properties.

Net carrying amount of investment properties pledged as security for borrowings (Note 24) is amounting to RM1,741,120 (2012: RM1,756,295).

11. PREPAID LAND LEASE PAYMENTS

	Group 2013 RM	2012 RM
At 1 January	**515,477**	621,983
Additions	**453,278**	–
Amortisation for the financial year	**(153,890)**	(86,176)
Effect of movement in exchange rate	**52,323**	(20,330)
At 31 December	**867,188**	515,477

The Group has land use rights over certain parcels of land located in the Republic of Indonesia and Socialist Republic of Vietnam with remaining tenure of 20 years and 30 years respectively.

The land is pledged as security for bank borrowings (Note 24).

12. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM	2012 RM
Unquoted shares, at cost		
At 1 January	**76,078,944**	71,504,942
Additions	**3,304,448**	4,574,002
At 31 December	**79,383,392**	76,078,944

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of subsidiaries are as follows:

Name of Company	Principal Place of Business /Country of Incorporation	Principal Activities	Effective Ownership Interest/Voting Rights 2013	2012
Held by the Company				
Samchem Logistics Services Sdn. Bhd.	Malaysia	Provision of logistics services	**70%**	70%
Samchem Industries Sdn. Bhd.	Malaysia	Distribution of specialty chemicals	**100%**	100%
TN Industries Sdn. Bhd.	Malaysia	Dormant	**100%**	100%
TN Chemie Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals, and blending of customised solvents	**100%**	100%
Eweny Chemicals Sdn. Bhd.	Malaysia	Distribution of intermediate and specialty chemicals	**100%**	100%
Samchemsphere Export Sdn. Bhd.	Malaysia	Export of intermediate and specialty chemicals	**70%**	70%
* Samchem Enviro Cycle Sdn. Bhd.	Malaysia	Dormant	**100%**	76%
Samchem Sdn. Bhd.	Malaysia	Distribution of Polyurethane (PU), intermediate and specialty chemicals and investment holding	**100%**	100%
^@ PT Samchem Prasandha	Republic of Indonesia	Distribution of industrial chemicals	**96.5%**	93%
# Samchem TN Pte. Ltd.	Republic of Singapore	Distribution of intermediate and specialty chemicals and blending of customised solvents	**100%**	100%
Held Through Samchemsphere Export Sdn. Bhd.				
# Samchemsphere Indochina (Vietnam) Company Limited	Socialist Republic of Vietnam	Dormant	**70%**	70%
# Sam Chem Sphere Company Limited	Socialist Republic of Vietnam	Distribution of PU, intermediate and specialty chemicals	**56%**	56%

Audited by a firm of auditors other than Baker Tilly AC.
^ Audited by an independent member firm of Baker Tilly International.
@ The Company subscribed for the additional share capital in the subsidiary as disclosed in Note 34. Consequently, the equity interest of the Company in the subsidiary increased to 96.5% but does not have significant impact on the financial position and results of the Group.
* The Company acquired additional equity interest in the subsidiaries as disclosed in Note 34.

Acquisition of non-controlling interests

On 10 June 2013, the Company entered into a Share Sale Agreement with non-controlling shareholder of Samchem Enviro Cycle Sdn. Bhd. ("SEVSB") to acquire the remaining 24% equity interest in SEVSB for a cash consideration of RM224,448. Consequently, SEVSB became a wholly-owned subsidiary of the Company. The Group recognised a decrease in non-controlling interests of RM117,406 and a decrease in retained earnings of RM107,042 on the date of acquisition. The following summarises the effect of changes in the equity interest in SEVSB that is attributable to owners of the Company:

	RM
Cash consideration paid to non-controlling interest	224,448
Carrying amount of additional interest acquired	(117,406)
Total difference recognised in retained earnings within equity attributable to owners of the Company	107,042

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Non-controlling interests ("NCI") in subsidiaries

(a) The subsidiaries of the Group that have material NCI are as follows:

	Samchemsphere Export Sdn. Bhd. RM	Sam Chem Sphere Company Limited RM	Other individually immaterial subsidiaries RM	Total RM
2013				
NCI effective of ownership interest and voting rights	**30%**	**44%**		
Carrying amount of NCI	**(818,323)**	**3,171,851**	**355,227**	**2,708,755**
(Loss)/Profit allocated to NCI	**(625,152)**	**1,177,434**	**101,490**	**653,772**
Total other comprehensive income allocated to NCI	**–**	**151,442**	**16,878**	**168,320**
Total comprehensive income allocated to NCI	**(625,152)**	**1,328,876**	**118,368**	**822,092**
2012				
NCI effective of ownership interest and voting rights	30%	44%		
Carrying amount of NCI	(193,172)	1,842,975	390,265	2,040,069
(Loss)/Profit allocated to NCI	(359,000)	1,254,571	(278,043)	617,528
Total other comprehensive income allocated to NCI	–	(17,747)	(57,464)	467,106
Total comprehensive income allocated to NCI	(359,000)	1,236,824	(335,507)	542,317

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at each reporting date are as follows:

	Samchemsphere Export Sdn. Bhd. RM	Sam Chem Sphere Company Limited RM
2013		
Statement of financial position as at 31 December		
Non-current as sets	**1,039,652**	**259,701**
Current assets	**21,807,150**	**35,572,228**
Non-current liabilities	**–**	**(12,559)**
Current liabilities	**(25,574,546)**	**(28,610,617)**
Net (liabilities)/assets	**(2,727,744)**	**7,208,753**
Statement of profit or loss and other comprehensive income for the financial year ended 31 December		
Revenue	**33,073,704**	**105,677,956**
(Loss)/Profit for the financial year	**(2,083,839)**	**2,675,987**
Other comprehensive income	**–**	**344,186**
Total comprehensive income for the financial year	**(2,083,839)**	**3,020,173**

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Non-controlling interests ("NCI") in subsidiaries (cont'd)

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at each reporting date are as follows (cont'd):

	Samchemsphere Export Sdn. Bhd. RM	Sam Chem Sphere Company Limited RM
2013 (cont'd)		
Statement of cash flows for the financial year ended 31 December		
Cash flows (used in)/from operating activities	**(2,933,058)**	**483,766**
Cash flows (used in)/from investing activities	**(295,853)**	**140,357**
Cash flows from financing activities	**2,809,116**	**375,326**
Net (decrease)/increase in cash and cash equivalents	**(419,795)**	**999,449**
Dividend paid to NCI during the financial year	**–**	**–**

	Samchemsphere Export Sdn. Bhd. RM	Sam Chem Sphere Company Limited RM
2012		
Statement of financial position as at 31 December		
Non-current as sets	961,760	260,496
Current assets	19,252,521	26,715,046
Non-current liabilities	–	(35,206)
Current liabilities	(20,858,186)	(22,751,756)
Net (liabilities)/assets	(643,905)	4,188,580
Statement of profit or loss and other comprehensive income for the financial year ended 31 December		
Revenue	34,425,964	84,785,840
(Loss)/Profit for the financial year	(1,196,668)	2,851,298
Other comprehensive income	–	(40,334)
Total comprehensive income for the financial year	(1,196,668)	2,810,964
Statement of cash flows for the financial year ended 31 December		
Cash flows from/(used in) operating activities	9,552,847	(3,729,757)
Cash flows (used in)/from investing activities	(123,356)	108,040
Cash flows (used in)/from financing activities	(7,543,888)	5,246,707
Net increase in cash and cash equivalents	1,885,603	1,624,990
Dividend paid to NCI during the financial year	–	–

(c) There are no restrictions in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

13. INVESTMENTS IN ASSOCIATES

	Group 2013 RM	2012 RM
Unquoted shares, at cost	**800,000**	1,253,346
Foreign currency translation differences	**–**	25,374
Share of post-acquisition reserves	**31,708**	(440,338)
Less: Impairment loss	**–**	(5,098)
	831,708	833,284

The details of associates are as follows:

Name of Company	Principal Place of Business /Country of Incorporation	Nature of the Relationship	Effective Ownership Interest/ Voting Rights 2013	2012
Held Through Samchem Sdn. Bhd.				
Yong Tai Samchem Sdn. Bhd. ("YTS")	Malaysia	Investment holding	**40%**	40%
Held Through TN Chemie Sdn. Bhd.				
* PT Multi Square ("PTMS")	Republic of Indonesia	Manufacturing of paint, varnish and lacquer	**–**	30%

* During the financial year, the Group disposed of its entire equity interest in the associate as further disclosed in Note 34.

The financial statements of the above associates are coterminous with those of the Group, except for YTS which has a financial year end of 30 June to conform with its holding company's financial year end. For the purpose of applying the equity method of accounting, the audited financial statements of YTS for the financial year ended 30 June 2013 and the management financial statements for the financial period ended 31 December 2013 have been used.

(a) The summarised financial information of the Group's material associates is as follows:

	YTS 2013 RM	2012 RM
Assets and Liabilities		
Current assets	**2,082,002**	2,107,205
Current liabilities	**(2,732)**	(2,850)
Net assets	**2,079,270**	2,104,355

	2013 YTS RM	2012 YTS RM	2012 Individually immaterial associate RM
Results			
Revenue	**–**	–	561,404
Profit for the financial year, representing total comprehensive income for the financial year	**(3,940)**	38,030	(476,481)
Dividend received from associates during the financial year	**–**	(2,640,000)	–

13. INVESTMENTS IN ASSOCIATES (CONT'D)

(b) The reconciliation of net assets of the associate to the carrying amount of the investment in associates recognised in the consolidated financial statements is as follows:

	2013 YTS RM	2012 YTS RM	2012 Individually immaterial associate RM
Group's share of net assets	**831,708**	833,284	5,098
Less: Impairment loss	**–**	–	(5,098)
Carrying amount of the Group's interest in associates	**831,708**	833,284	-
Share of results of associates for the financial year ended 31 December	**(1,576)**	15,212	(142,944)

14. OTHER INVESTMENTS

	Group 2013 RM	Group 2012 RM
Available-for-sale financial assets:		
Quoted shares in Malaysia	**70,552**	42,951
Market value of quoted shares	**70,552**	42,951

15. GOODWILL

	Group 2013 RM	Group 2012 RM
At cost		
At 1 January	**547,866**	557,455
Impairment loss during the financial year	**–**	(9,589)
At 31 December	**547,866**	547,866

Impairment test for goodwill

Goodwill on acquisition is allocated to the Group's cash-generating units ("CGUs"), geographical segments as follows:

	Group 2013 RM	Group 2012 RM
Malaysia	**294,165**	294,165
Socialist Republic of Vietnam	**253,701**	253,701
	547,866	547,866

The recoverable amount is determined based on value-in-use calculations using cash flow projections based on five-year financial budget approved by management. The pre-tax discount applied to the cash flow projections is 8.0%.

15. GOODWILL (CONT'D)

Key assumptions used in value-in-use calculations

Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the industry.

Gross margins : gross margins are based on the average gross margin achieved in the past years.

Operating expenses : the value assigned to the key assumption reflects past experience and management's commitment to maintain the operating expenses to an acceptable level.

Discount rate : in determining appropriate discount rates, consideration has been given to applicable borrowing rates.

In the previous financial year, an impairment loss was required for the goodwill amounting to RM9,589 as the recoverable value was in excess of its carrying amount.

Sensitivity to change in assumptions

With regard to the assessment of value-in-use calculation, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed their recoverable amounts.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-current:				
Insurance policy	**–**	773,757	**–**	–
Current:				
Insurance policy	**804,689**	–	**–**	–
Sundry receivables	**1,892,486**	1,560,740	**–**	–
Less: Impairment loss on other receivables	**(2,772)**	(2,572)	**–**	–
	2,694,403	1,558,168	**–**	–
Advanced payments to suppliers	**1,564,899**	1,442,615	**–**	–
Deposits	**225,310**	883,843	**–**	–
Prepayments	**748,911**	910,631	**8,000**	–
Amounts due from subsidiaries	**–**	–	**5,709,268**	9,159,552
	5,233,523	4,795,257	**5,717,268**	9,159,552

(i) Insurance policy of the Group is held in trust by a director. The insurance policy has a minimum guaranteed 4% per annum return and is pledged as security for bank borrowings (Note 24).

(ii) Included in sundry receivables of the Group is an amount of RM1,811,930 (2012: RM1,371,618) being indirect taxes paid in advance to tax authorities by certain foreign subsidiaries.

(iii) The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at a rate of 6.0% (2012: 6.0%) per annum, receivable on demand and expected to be settled in cash.

(iv) Included in deposits of the Group in previous financial year are amounts of RM527,898 being down payment for acquisition of land and motor vehicles.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(v) The movement of allowance accounts used to record the impairment are as follow:

	Group 2013 RM	2012 RM
At 1 January	**2,572**	–
Charge for the financial year	**–**	2,572
Effect of movement in exchange rate	**200**	–
At 31 December	**2,772**	2,572

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2013 RM	2012 RM
Deferred Tax Assets		
At 1 January	**785,823**	325,377
Effect of movements in exchange rate	**18,687**	(8,930)
Recognised in profit or loss	**(455,433)**	469,376
At 31 December	**349,077**	785,823
Deferred Tax Liabilities		
At 1 January	**(289,095)**	(630,979)
Recognised in profit or loss	**(431,741)**	341,884
At 31 December	**(720,836)**	(289,095)

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:

	Group 2013 RM	2012 RM
Deferred tax assets		
Deductible temporary differences in respect of expenses	**231,002**	402,413
Difference between the carrying amounts of property, plant and equipment and their tax base	**118,075**	80,759
Unabsorbed capital allowances	**–**	1,999
Unutilised tax losses	**–**	300,652
	349,077	785,823
Deferred tax liabilities		
Deductible temporary differences in respect of expenses	**87,300**	59,460
Taxable temporary differences in respect of income	**(460,300)**	–
Difference between the carrying amounts of property, plant and equipment and their tax base	**(347,836)**	(348,555)
	(720,836)	(289,095)

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group	
	2013 RM	**2012 RM**
Deductible temporary differences in respect of expenses	**–**	350,867
Unutilised tax losses	**3,177,900**	963,800
Unabsorbed capital allowances	**106,300**	108,800
	3,284,200	1,423,467

18. INVENTORIES

	Group	
	2013 RM	**2012 RM**
Trading goods	**81,614,868**	56,852,470
Goods in transit	**2,242,941**	–
Packaging materials	**740,664**	486,990
	84,598,473	57,339,460

(i) The cost of inventories recognised as expense and included in cost of sales during the financial year amounted to RM494,152,250 (2012: RM472,336,492)

(ii) Inventories of a subsidiary amounting to RM 15,186,789 (2012: RM12,239,868) are pledged as security for bank borrowings (Note 24).

19. TRADE RECEIVABLES

	Group	
	2013 RM	**2012 RM**
External parties	**128 ,217,732**	111,008,314
Director related companies	**–**	332,674
	128,217,732	111,340,988
Less: Allowance for impairment loss	**(929,059)**	(851,554)
	127,288,673	110,489,434

Trade receivables of a subsidiary amounting to RM21,323,138 (2012: RM12,827,676) are pledged as security for bank borrowings (Note 24).

(a) Credit term of trade receivables

The Group's normal trade credit term extended to customers ranges from 30 to 120 days (2012: 30 to 120 days)

19. TRADE RECEIVABLES (CONT'D)

(b) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2013 RM	2012 RM
Neither past due nor impaired	**50,874,198**	38,549,941
1 to 30 days past due not impaired	**33,960,185**	30,631,182
31 to 60 days past due not impaired	**23,697,817**	22,688,701
61 to 90 days past due not impaired	**10,415,961**	10,629,509
91 to 120 days past due not impaired	**4,219,590**	4,370,466
More than 120 days past due not impaired	**4,120,922**	3,619,635
	76,414,475	71,939,493
Impaired	**929,059**	851,554
	128,217,732	111,340,988

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables amounting to RM76,414,475 (2012: RM71,939,493) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances except for trade receivables amounting to RM2,338,308 (2012: RM3,130,536) which are supported by third party guarantees.

Receivables that are impaired

The movement of allowance accounts used to record the impairment is as follows:

	Group 2013 RM	2012 RM
At 1 January	**851,554**	467,521
Charge for the financial year (Note 5)	**193,270**	398,984
Written off	**(100,039)**	–
Reversal of impairment loss (Note 5)	**(46,144)**	(12,782)
Effect of movement in exchange rate	**30,418**	(2,169)
At 31 December	**929,059**	851,554

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

20. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group bear effective interest rates ranging from 2.30% to 3.15% (2012: 2.30% to 3.15%) per annum and mature within one year. Deposits amounting to RM27,968,244 (2012: RM32,137,454) are pledged for bank borrowings granted to the subsidiaries (Note 24). As such, these deposits are not available for general use.

21. NON-CURRENT ASSETS HELD FOR SALE

On 27 September 2012, Samchem Enviro Cycle Sdn. Bhd. and Samchem Sdn. Bhd., both subsidiaries of the Company, have entered into sale and purchase agreements with third parties to dispose their leasehold land.

Property, plant and equipment that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.

	Group	
	2013 RM	2012 RM
At lower of carrying amount and fair value less cost to sell:		
As at 1 January	**4,205,518**	–
Disposal	**(4,205,518)**	–
Transfer from property, plant and equipment (Note 9)	**–**	4,205,518
At 31 December	**–**	4,205,518

	Group	
	2013 RM	2012 RM
Liabilities directly attributable to assets classified as held for sales:		
As at 1 January	**1,150,013**	–
Repayment	**(1,150,013)**	–
Transfer from term loans	**–**	1,150,013
At 31 December	**–**	1,150,013

The term loans attributable to assets classified as held for sales bear effective interest ranging from 6.50% to 7.60% per annum.

The above term loans are secured and supported by way of:

(a) Legal charge over the long term leasehold land; and

(b) Corporate guarantee of the holding company.

22. SHARE CAPITAL

	Company			
	2013		2012	
	Number of shares	Amount RM	Number of shares	Amount RM
Ordinary shares of RM0.50 each				
Authorised:				
At 1 January/31 December	**200,000,000**	**100,000,000**	200,000,000	100,000,000
Issued and fully paid:				
At 1 January/31 December	**136,000,000**	**68,000,000**	136,000,000	68,000,000

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

23. RESERVES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-distributable				
Share premium	**954,444**	954,444	**954,444**	954,444
Fair value reserve	**35,634**	8,033	**–**	–
Reverse acquisition reserve	**(40,725,742)**	(40,725,742)	**–**	–
Currency translation reserve	**593,245**	56,664	**–**	–
Distributable				
Retained earnings/(Accumulated losses)	**79,725,020**	74,492,026	**1,416,372**	(196,470)
	40,582,601	34,785,425	**2,370,816**	757,974

(a) Share premium

The share premium arose from the issue of the Company's shares at a premium.

(b) Fair value reserve

Fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

(c) Reverse acquisition reserve

Reverse acquisition reserve relates to the difference between the issued equity of the Company together with the deemed business combination costs and the issued equity of Samchem Sdn. Bhd.

(d) Currency translation reserve

The currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) Retained earnings

The Finance Act 2007 introduced a single-tier company income tax system with effect from year of assessment 2008. The Company may distribute dividends out of its entire retained earnings under the single-tier system..

24. BORROWINGS

	Group 2013 RM	Group 2012 RM
Non-current:		
Secured:		
Finance lease payables (Note 25)		
– RM	**532,725**	922,958
– Indonesia Rupiah ("Rp")	**33,283**	41,223
Term loans		
– RM	**4,894,190**	8,322,877
– Rp	**–**	66,202
– Vietnamese Dong ("VND")	**12,559**	35,205
	5,472,757	9,388,465

24. BORROWINGS (CONT'D)

	Group 2013 RM	2012 RM
Current:		
Secured:		
Bank overdrafts		
– RM	**16,391,503**	10,368,942
Bankers' acceptances		
–RM	**78,317,000**	86,660,000
– USD	**–**	2,434,540
Finance lease payables (Note 25)		
–RM	**464,782**	740,947
– Rp	**61,742**	41,259
Short term loans		
– USD	**24,852,141**	11,100,306
Foreign currency trade loan		
– USD	**183,319**	–
Onshore foreign currency loans – USD	**1,173,030**	–
Term loans		
– RM	**895,084**	1,465,448
– Rp	**–**	41,882
– VND	**24,993**	23,510
	122,363,594	112,876,834
Unsecured:		
Bankers' acceptances	**4,137,000**	3,237,000
Bank overdrafts	**944,969**	–
Foreign currency trade loan		
– USD	**4,469,366**	–
Structure commodity financing-i	**3,000,000**	–
Trade commodity financing-i	**511,748**	–
	13,063,083	3,237,000
	135,426,677	116,113,834

	Group 2013 RM	2012 RM
Total borrowings		
Bank overdrafts	**17,336,472**	10,368,942
Bankers' acceptances	**82,454,000**	92,331,540
Finance lease payables (Note 25)	**1,092,532**	1,746,387
Short term loans	**24,852,141**	11,100,306
Foreign currency trade loan	**4,652,685**	–
Onshore foreign currency loans	**1,173,030**	–
Structure commodity financing-i	**3,000,000**	–
Trade commodity financing-i	**511,748**	–
Term loans	**5,826,826**	9,955,124
	140,899,434	125,502,299

24. BORROWINGS (CONT'D)

The secured borrowings (except for finance lease payables) of the Group are secured by the following:

(i) letter of set-off over the deposits with licensed banks of subsidiaries (Note 20);

(ii) legal charge over the investment properties of a subsidiary (Note 10):

(iii) legal charge over the freehold land and buildings of subsidiaries (Note 9);

(iv) legal charge over the leasehold land and buildings of subsidiaries (Notes 9 and 11);

(v) insurance policy held in trust by a director (Note 16);

(vi) legal charge over inventories and trade receivables of a foreign subsidiary (Notes 18 and 19);

(vii) guarantee by Credit Guarantee Corporation Malaysia Berhad;

(viii) guarantee by certain directors of the Company and the subsidiaries; and

(ix) corporate guarantee from the Company and a subsidiary.

The unsecured bankers' acceptances are supported by corporate guarantee from the Company.

The borrowings (except for finance lease payables) bear interest at rates as follows:

	Group	
	2013 % per annum	**2012 % per annum**
Bank overdrafts	**6.85 to 8.60**	6.85 to 8.60
Bankers' acceptances	**3.22 to 5.00**	2.71 to 5.22
Short term loans	**6.25 to 13.00**	2.19 to 12.25
Foreign currency trade loan	**2.01 to 2.50**	–
Onshore foreign currency loans	**1.95 to 2.60**	–
Structure commodity financing-i	**4.99**	–
Trade commodity financing-i	**4.63 to 4.67**	–
Term loans	**4.00 to 7.60**	4.00 to 9.07

The maturity profile of term loans is as follows:

	Group	
	2013 RM	**2012 RM**
Repayable within 1 year	**920,076**	1,530,840
Repayable after I year but not later than 2 years	**924,482**	1,408,970
Repayable after 2 years but not later than 3 years	**941,218**	2,632,993
Repayable after 3 years but not later than 4 years	**971,770**	628,182
Repayable after 4 years but not later than 5 years	**674,668**	660,019
Repayable after 5 years	**1,394,612**	3,094,120
	5,826,826	9,955,124

25. FINANCE LEASE PAYABLES

	Group 2013 RM	2012 RM
Future minimum lease payments	**1,156,927**	1,877,319
Less: Future finance charges	**(64,395)**	(130,932)
Total present value of minimum lease payments	**1,092,532**	1,746,387
Current liabilities		
Payable within one year		
Future minimum lease payments	**566,713**	852,982
Less: Future finance charges	**(40,189)**	(70,776)
Present value of minimum lease payments	**526,524**	782,206
Non-current liabilities		
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**590,214**	1,024,337
Less: Future finance charges	**(24,206)**	(60,156)
Present value of minimum lease payments	**566,008**	964,181
Total present value of minimum lease payment	**1,092,532**	1,746,387

The finance lease payables of the Group bear effective interest at rates ranging from 5.00% – 10.67% (2012: 3.60% to 11.65%) per annum.

26. RETIREMENT BENEFIT OBLIGATIONS

A subsidiary of the Company in Indonesia operates an unfunded defined benefit scheme, as required under the Labour Law of the Republic of Indonesia..

	Group 2013 RM	2012 RM
At 1 January	**200,360**	108,493
Provision made during the financial year	**62,095**	91,867
Effect of exchange rate difference	**(26,692)**	–
At 31 December	**235,763**	200,360

The amounts recognised in the consolidated statement of financial position are determined as follows:

	Group 2013 RM	2012 RM
Present value obligations	**235,763**	200,360

26. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The expenses recognised in profit or loss are as follows:

	Group	
	2013 RM	2012 RM
Current service costs	**59,776**	86,409
Interest on obligation	**10,499**	8,058
Actual benefit payment	**(8,180)**	(2,600)
	62,095	91,867

The defined benefit obligation expense was determined based on actuarial valuations prepared by an independent actuary using the projected unit credit method. Principal assumptions as at the reporting date are as follows:

	Group	
	2013 RM	2012 RM
Normal retirement age	**55 years old**	55 years old
Discount rate	**9.0%**	6.2%
Future salary increases	**9.0%**	9.0%
Withdrawal rate	**1% at age 20 and linearly decreasing up to age 54**	1% at age 20 and linearly decreasing up to age 54
Mortality rate	**TM II 2000**	TM II 2000

27. TRADE PAYABLES

	Group	
	2013 RM	2012 RM
External parties	**42,324,242**	32,821,432

The normal trade credit term granted by the suppliers to the Group ranges from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables is an amount of RM122,628 (2012: RM68,764) due to a company in which certain directors of the subsidiaries have substantial financial interest.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sundry payables	**1,381,905**	962,831	**–**	28,996
Deposits received	**87,000**	632,656	**–**	–
Accruals	**1,877,063**	2,224,735	**582,693**	468,659
Amount due to a subsidiary	**–**	–	**14,309,478**	16,244,658
	3,345,968	3,820,222	**14,892,171**	16,742,313

(i) In the previous financial year, included in sundry payables of the Group is an amount of RM2,508 in respect of balance outstanding owing to a contractor for the construction of factory and office building of a subsidiary.

28. OTHER PAYABLES AND ACCRUALS (CONT'D)

(ii) In the previous financial year, included in deposits of the Group is an amount of RM632,656 being down payment received from the sales of properties.

(iii) Amount due to a subsidiary is non-trade in nature, unsecured, bears interest at a rate of 6.0% (2012: 6.0%) per annum, repayable on demand and expected to be settled in cash.

29. DIVIDENDS

	Group and Company			
	2013		2012	
	Single-tier dividend per share sen	Amount of dividend RM	Single-tier dividend per share sen	Amount of dividend RM
First and final single-tier exempt dividend in respect of financial year ended:				
- 31 December 2012	**2.50**	**3,400,000**	–	–
- 31 December 2011	**–**	**–**	4.00	5,440,000

The directors have recommended a first and final single-tier exempt dividend in respect of the financial year ended 31 December 2013 of 2.5 sen per share on 136,000,000 ordinary shares amounting to RM3,400,000 if approved at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect the first and final dividend. The first and final dividend will be accounted for in equity as an appropriation of retained earnings in the financial statements in the financial year ending 31 December 2014.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash and bank balances	**12,000,622**	16,164,143	**125,931**	171,157
Deposits with licensed banks (Note 20)	**28,958,995**	32,934,490	**–**	–
Less: Bank overdrafts (Note 24)	**(17,336,472)**	(10,368,942)	**–**	–
	23,623,145	38,729,691	**125,931**	171,157

31. CAPITAL COMMITMENTS

	Group	
	2013 RM	2012 RM
Approved and contracted for:		
– property, plant and equipment	**–**	50,787

32. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associates, key management personnel and companies in which key management personnel have substantial financial interests.

32. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related party transactions and balances

Related party transactions are as follows:

	Group 2013 RM	Group 2012 RM
Transactions with companies in which certain directors of subsidiaries have substantial financial interests:		
Purchases of products	**4,261,347**	5,702,028
Sales of products	**(714,128)**	(2,017,463)

	Company 2013 RM	Company 2012 RM
Transactions with subsidiaries:		
Dividend income	**(5,004,000)**	(7,518,333)
Management fee income	**(3,130,871)**	(3,128,734)
Interest expense	**894,442**	837,073
Rental of motor vehicle	**23,604**	23,604
Interest income	**(276,426)**	(410,263)

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 16, 19 and 27 and 28.

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Directors of the Company:				
Non-executive director				
– fees	**84,000**	86,000	**84,000**	86,000
– other emoluments	**7,500**	6,000	**7,500**	6,000
	91,500	92,000	**91,500**	92,000
Executive directors				
– Short term employee benefits	**1,797,378**	1,483,832	**1,667,238**	1,353,692
– Post-employment benefits	**201,596**	242,508	**201,596**	242,508
– Estimated monetary value of benefits-in-kind	**89,250**	89,250	**89,250**	89,250
	2,088,224	1,815,590	**1,958,084**	1,685,450
	2,179,724	1,907,590	**2,049,584**	1,777,450
Other key management personnel:				
– Short term employee benefits	**1,383,533**	1,280,020	**255,375**	242,040
– Post-employment benefits	**155,461**	153,837	**34,769**	33,696
	1,538,994	1,433,857	**290,144**	275,736
	3,718,718	3,341,447	**2,339,728**	2,053,186

33. SEGMENT INFORMATION

For management purposes, the Group is organised into operating units based on their country of domiciled and has four reportable operating segments as follows:

(i) Malaysia

(ii) Republic of Indonesia

(iii) Socialist Republic of Vietnam

(iv) Republic of Singapore

Management monitors the operating results of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax of each unit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Republic of Singapore RM	Elimination RM	Total RM
2013						
Revenue						
External revenue	352,624,763	74,665,588	109,942,014	5,788,552	–	543,020,917
Inter-segment revenue	109,802,713	–	–	–	(109,802,713)	–
Total segment revenue	462,427,476	74,665,588	109,942,014	5,788,552	(109,802,713)	543,020,917
Results						
Segment results	11,944,534	(1,666,636)	3,509,880	2,679	–	13,790,457
Share of results of associates						(1,576)
Profit before taxation						13,788,881
Tax expense						(4,395,073)
Profit for the financial year						9,393,808
Assets						
Segment assets	213,659,735	47,652,979	36,354,016	747,705	–	298,414,435
Investments in associates						831,708
Total assets						299,246,143
Liabilities						
Segment/Total liabilities	153,973,032	24,282,451	9,564,934	134,370	–	187,954,787
Other segment information						
Depreciation	2,336,513	715,875	60,116	565	–	3,113,069
Amortisation	–	100,378	53,512	–	–	153,890
Interest income (Note a)	(1,099,953)	(9,948)	(128,885)	–	241,960	(1,018,626)
Interest expense (Note a)	6,196,780	859,688	322,620	–	(241,960)	7,137,128
Impairment loss on:						
– trade receivables	–	193,270	–	–	–	193,270
Additions to non-current assets other than financial instruments and deferred tax assets	497,326	14,562	468,173	–	–	980,061

Note a: Inter-segment interests are eliminated on consolidation.

33. SEGMENT INFORMATION (CONT'D)

	Malaysia RM	Republic of Indonesia RM	Socialist Republic of Vietnam RM	Republic of Singapore RM	Elimination RM	Total RM
2012						
Revenue						
External revenue	373,912,192	66,208,991	84,785,840	1,541,098	–	526,448,121
Inter-segment revenue	108,397,137	–	–	9,892	(108,407,029)	–
Total segment revenue	482,309,329	66,208,991	84,785,840	1,550,990	(108,407,029)	526,448,121
Results						
Segment results	10,660,472	(1,035,022)	3,464,985	(101,025)	–	12,989,410
Share of results of associates						(127,732)
Profit before taxation						12,861,678
Tax expense						(3,542,027)
Profit for the financial year						9,319,651
Assets						
Segment assets	207,073,224	33,520,434	26,975,542	604,488	–	268,173,688
Investments in associates						833,284
Total assets						269,006,972
Liabilities						
Segment/Total liabilities	141,733,739	16,180,434	6,180,434	86,871	–	164,181,478
Other segment information						
Depreciation	2,146,061	702,407	50,821	566	–	2,899,855
Amortisation	–	86,176	–	–	–	86,176
Interest income (Note a)	(1,203,517)	(9,948)	(232,243)	–	262,712	(1,182,996)
Interest expense (Note a)	6,506,376	880,440	205,266	–	(262,712)	7,329,370
Impairment loss on:						
– investment in associate	5,098	–	–	–	–	5,098
– trade receivables	67,200	1,124	330,660	–	–	398,984
– other receivables	–	2,572	–	–	–	2,572
– goodwill	9,589	–	–	–	–	9,589
Additions to non-current assets other than financial instruments and deferred tax assets	6,327,702	330,144	124,852	–	–	6,782,698

Note a: Inter-segment interests are eliminated on consolidation.

33. SEGMENT INFORMATION (CONT'D)

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:

	2013 RM	2012 RM
Malaysia	**349,428,535**	358,557,382
Republic of Indonesia	**74,665,588**	67,979,489
Socialist Republic of Vietnam	**109,942,014**	92,676,497
Republic of Singapore	**5,788,552**	6,334,526
Others	**3,196,228**	900,227
	543,020,917	526,448,121

Non-current assets which do not include financial instruments and deferred tax assets analysed by geographical location of the assets are as follows:

	2013 RM	2012 RM
Malaysia	**31,724,482**	33,354,804
Republic of Indonesia	**3,786,535**	4,291,261
Socialist Republic of Vietnam	**522,531**	419,776
Republic of Singapore	**1,292**	1,830
	36,034,840	38,067,671

Information about major customers

There is no single customer with revenue equal or more than 10% of the Group revenue.

34. SIGNIFICANT EVENTS

(i) During the financial year

(a) On 13 March 2013, Samchemsphere Indochina (Vietnam) Company Limited ("SICL"), a wholly-owned subsidiary of Samchemsphere Export Sdn. Bhd. ("SSE") which is a direct 70% owned subsidiary of the Company increased its paid up share capital from USD192,500 to USD300,000 for cash consideration of USD107,500.

(b) On 11 April 2013, TN Chemie Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Share Sale Agreement with an Indonesian individual to dispose off its entire 30% equity interest in PT Multisquare ("PTMS") for a cash consideration of RM1.00. Consequently, PTMS ceased to be an associate of the Group.

(c) On 10 June 2013, the Company entered into a Share Sale Agreement with non-controlling interest of Samchem Enviro Cycle Sdn. Bhd. ("SEVSB") to acquire 24% equity interest in SEVSB for a cash consideration of RM224,448. Consequently, SEVSB became a wholly-owned subsidiary of the Company.

(d) On 13 June 2013, PT Samchem Prasandha ("PTSP") increased its paid-up share capital from USD1,000,000 to USD2,000,000 via issuance of 10,000,000 new shares of USD0.10 each. The Company had subscribed for the entire new shares of PTSP for a total cash consideration of USD1,000,000 (equivalent to RM3,080,000). Accordingly, the Company's equity interest in PTSP was increased from 93% to 96.5%.

(ii) Subsequent to the financial year end

(a) On 6 February 2014, Samchem Sdn. Bhd. ("SSB") a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Yong Tai Berhad ("YTB") to dispose off the 40% of the issued and paid-up capital of Yong Tai Samchem Sdn. Bhd. ("YTSSB") comprising 800,000 ordinary shares of RM1.00 each at a total cash consideration of RM800,000. As a result, YTSSB ceased to be an associate of Group.

(b) On 26 February 2014, Sam Chem Sphere Company Limited ("SCSCL") a 80%-owned subsidiary of the Company had completed incorporation of a wholly-owned subsidiary, Samm Sphere (Cambodia) Co. Limited for a cash consideration of RM32,800 (equivalent to 40,000,000 Riel).

35. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	Loans and receivables RM	Available -for-sale RM	Total RM
2013			
Financial assets			
Other investments	**–**	**70,552**	**70,552**
Receivables and deposits *(exclude advanced payment to suppliers and prepayments)*	**130,208,386**	**–**	**130,208,386**
Cash and cash equivalents	**40,959,617**	**–**	**40,959,617**
	171,168,003	**70,552**	**171,238,555**

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Payables and accruals	**45,670,210**	**45,670,210**
Finance lease payable	**1,092,532**	**1,092,532**
Other loans and borrowings	**139,806,902**	**139,806,902**
	186,569,644	**186,569,644**

Group	Loans and receivables RM	Available -for-sale RM	Total RM
2012			
Financial assets			
Other investments	–	42,951	42,951
Receivables and deposits *(exclude advanced payment to suppliers, down payment and prepayments)*	113,177,304	–	113,177,304
Cash and cash equivalents	49,098,633	–	49,098,633
	162,275,937	42,951	162,318,888

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Payables and accruals *(exclude down payment)*	36,008,998	36,008,998
Finance lease payable	1,746,387	1,746,387
Other loans and borrowings	123,755,912	123,755,912
	161,511,297	161,511,297

35. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis (cont'd):

Company	Loans and receivables RM	Total RM
2013		
Financial liabilities		
Amounts due from subsidiaries	**5,709,268**	**5,709,268**
Cash and cash equivalents	**125,931**	**125,931**
	5,835,199	**5,835,199**

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Amounts due to subsidiary	**14,309,478**	**14,309,478**
Payables and accruals	**582,693**	**582,693**
	14,892,171	**14,892,171**

Company	Loans and receivables RM	Total RM
2012		
Financial liabilities		
Amounts due from subsidiaries	9,159,552	9,159,552
Cash and cash equivalents	171,157	171,157
	9,330,709	9,330,709

	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Amounts due to subsidiary	16,244,658	16,244,658
Payables and accruals	497,655	497,655
	16,742,313	16,742,313

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management Objectives and Policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Directors and the Financial Controller, Head of Treasury and Head of Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risk in relation to provision of financial guarantees to banks in respect of banking facilities granted to the subsidiaries and to suppliers for granting of credit term to the subsidiaries.

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2013		2012	
	RM	% of total	RM	% of total
By country:				
Malaysia	**90,487,062**	**70.57%**	84,871,528	76.23%
Indonesia	**21,523,656**	**16.79%**	12,828,800	11.52%
Vietnam	**15,736,391**	**12.27%**	12,518,562	11.24%
Singapore	**470,623**	**0.37%**	1,122,098	1.01%
	128,217,732	**100.00%**	111,340,988	100.00%

The Group does not have significant exposure to any individual customer at the reporting date.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for credit term granted to certain subsidiaries.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM152,195,855 (2012: RM127,202,058) representing the outstanding banking facilities and certain trade payables of the subsidiaries at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayments.

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default in repayments within the guarantee period.

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management Objectives and Policies (cont'd)

(ii) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintain sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2013						
Group						
Financial liabilities:						
Trade payables	**42,324,242**	**42,324,242**	**42,324,242**	**–**	**–**	**–**
Other payables and accruals	**3,345,968**	**3,345,968**	**3,345,968**	**–**	**–**	**–**
Bank overdrafts	**17,336,472**	**17,336,472**	**17,336,472**	**–**	**–**	**–**
Bankers' acceptances	**82,454,000**	**82,454,000**	**82,454,000**	**–**	**–**	**–**
Finance lease payables	**1,092,532**	**1,156,928**	**566,713**	**428,100**	**162,115**	**–**
Foreign currency trade loan	**4,652,685**	**4,652,685**	**4,652,685**	**–**	**–**	**–**
Onshore foreign currency loans	**1,173,030**	**1,173,030**	**1,173,030**	**–**	**–**	**–**
Structure commodity financing–i	**3,000,000**	**3,000,000**	**3,000,000**	**–**	**–**	**–**
Trade commodity financing–i	**511,748**	**511,748**	**511,748**	**–**	**–**	**–**
Short term loans	**24,852,141**	**24,852,141**	**24,852,141**	**–**	**–**	**–**
Term loans	**5,826,826**	**6,578,568**	**1,144,197**	**1,107,670**	**2,881,789**	**1,444,912**
	186,569,644	**187,385,782**	**181,361,196**	**1,535,770**	**3,043,904**	**1,444,912**
2012						
Group						
Financial liabilities:						
Trade payables	32,821,432	32,821,432	32,821,432	–	–	–
Other payables and accruals	3,187,566	3,187,566	3,187,566	–	–	–
Bank overdrafts	10,368,942	10,368,942	10,368,942	–	–	–
Bankers' acceptances	92,331,540	92,331,540	92,331,540	–	–	–
Finance lease payables	1,746,387	1,877,319	853,002	556,378	467,939	–
Short term loans	11,100,306	11,100,306	11,100,306	–	–	–
Term loans	9,955,124	12,751,868	2 ,076,041	1,914,278	5,055,006	3,706,543
	161,511,297	164,438,973	152,738,829	2,470,656	5,522,945	3,706,543

2013/2012 Company

The Company's financial liabilities at the reporting date either matures within one year or repayable on demand.

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management Objectives and Policies (cont'd)

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from deposits placed with licensed banks, amounts due from or to subsidiaries and borrowings. The deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk.

Borrowings at floating rate amounting to RM139,806,902 (2012: RM123,702,054) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM1,092,532 (2012: RM1,800,245), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

The Group does not have any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the financial year ended 31 December 2013 would decrease/increase by RM524,276 (2012: RM463,883) as a result of exposure to floating rate borrowings.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currencies of the Group entities, primarily RM, United States Dollar ("USD") and Vietnam Dong ("VND"). The foreign currencies in which these transactions are mainly denominated are USD, Singapore Dollar ("SGD"), Indonesian Rupiah ("Rp") and Euro Dollar ("EUR").

Forward currency contracts are used by certain subsidiaries to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Republic of Indonesia, Socialist Republic of Vietnam and Republic of Singapore.

Financial assets and liabilities denominated in USD, Rp, SGD and EUR are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
United States Dollar				
Cash at banks	**803,998**	506,753	**1,408**	–
Trade receivables	**2,576,407**	2,556,013	**–**	–
Other receivables	**125,729**	–	**4,250,619**	5,439,971
Trade payables	**(20,503,022)**	(10,320,562)	**–**	–
Bankers' acceptances	**–**	(2,434,540)	**–**	–
Short term loans	**(5,915,299)**	(7,079,693)	**–**	–
Foreign currency trade loans	**(4,652,685)**	–	**–**	–
Onshore foreign currency loans	**(1,173,030)**	–	**–**	–
Structure commodity financing–i	**(3,000,000)**	–	**–**	–
	(31,737,902)	(16,772,029)	**4,252,027**	5,439,971

35. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management Objectives and Policies (cont'd)

(iv) Foreign Currency Risk (cont'd)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Indonesian Rupiah				
Cash at banks	**146,711**	175,461	**–**	–
Deposits with licensed banks	**245,139**	–	**–**	–
Trade receivables	**1,627,783**	1,398,400	**–**	–
Trade payables	**(116,187)**	(70,412)	**–**	–
Other payables	**(8,864)**	(4,180)	**–**	–
Finance lease payables	**(95,025)**	(82,482)	**–**	–
Term loans	**–**	(108,084)	**–**	–
	1,799,557	1,308,703	**–**	–
Singapore Dollar				
Cash at banks	**229,465**	34,337	**–**	–
Euro Dollar				
Trade payables	**(85,920)**	–	**–**	–

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and of the Company's profit for the financial year to a reasonably possible change in the USD, Rp, SGD and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
USD/RM	– strengthened 5%	**(966,775)**	(628,951)	**212,584**	203,999
	– weakened 5%	**966,775**	628,951	**(212,584)**	(203,999)
Rp/USD	– strengthened 5%	**67,373**	49,076	**–**	–
	– weakened 5%	**(67,373)**	(49,076)	**–**	–
SGD/RM	– strengthened 2%	**8,605**	515	**–**	–
	– weakened 2%	**(8,605)**	(515)	**–**	–
EUR/RM	– strengthened 5%	**(3,222)**	–	**–**	–
	– weakened 5%	**3,222**	–	**–**	–

(v) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to market price risk arising from its investment in quoted shares listed on the Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale. As the amount of the investment is minimal, the Group's income and operating cash flows are not excessively exposed to changes in the market price.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The methods and assumptions used to determine the fair value of the following classes of financial assets and liabilities are as follows:

(a) Cash and cash equivalents, trade and other receivables and payables

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are reasonable approximation of fair values due to short term nature of these financial instruments.

The fair value of insurance policy is estimated using discounted cash flows analysis, based on rate of return for a new life insurance policy of similar term.

(b) Other investments

The fair value of shares quoted in an active market is determined by reference to the quoted closing bid price at the reporting date.

(c) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of long term floating rate loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of finance lease payables and fixed rate loan is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

The carrying amounts and fair values of financial instruments, other than those carrying amounts are reasonable approximation of their fair values are as follows:

Group	2013 Carrying Amount RM	2013 Fair Value RM	2012 Carrying Amount RM	2012 Fair Value RM
Financial liabilities				
Finance lease payables	**1,092,532**	**1,233,836**	1,746,387	1,893,346
Term loan	**–**	**–**	53,858	42,514

37. FAIR VALUE HIERARCHY

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. FAIR VALUE HIERARCHY (CONT'D)

As at 31 December 2013 and 2012, the Group held the following assets and liabilities carried at fair values or with fair values disclosed:

Asset measured at fair value

	Fair Value RM	Level 1 RM	Level 2 RM	Level 3 RM
2013				
Available-for-sale financial assets – quoted shares	**70,552**	**70,552**	**–**	**–**
2012				
Available-for-sale financial assets – quoted shares	42,951	42,951	–	–

Assets/(Liabilities) for which fair value are disclosed

	Fair Value RM	Level 1 RM	Level 2 RM	Level 3 RM
2013				
Assets				
Investment properties	**6,100,000**	–	–	6,100,000
Liabilities				
Finance lease payables	**(1,233,836)**	–	(1,233,836)	–
2012				
Assets				
Investment properties	**5,600,000**	–	–	5,600,000
Liabilities				
Finance lease payables	**(1,893,346)**	–	(1,893,346)	–

During the financial years ended 31 December 2013 and 2012, there was no transfer between fair value measurement hierarchy.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it maintains healthy capital ratios to support its business whilst maximising the return to its shareholders through the optimisation of the debt-to-equity ratio to reduce cost of capital. The Group's strategy in capital management remains unchanged from 2012.

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, redeem debts or sell assets to reduce debts, where necessary.

The debt-to-equity ratio is calculated as net debts divided by total capital of the Group. Net debts comprise bank borrowings less cash and cash equivalents (excluding bank overdrafts) whilst total capital is the total equity of the Group. The debt-to-equity ratio as at 31 December 2013 and 2012, which are within the Group's objectives of capital management are as follows:

	Group	
	2013	**2012**
Total interest-bearing borrowings (RM)	**140,899,434**	125,502,299
Less: Cash and cash equivalents (RM)	**(40,959,617)**	(49,098,633)
Total net debts (RM)	**99,939,817**	76,403,666
Total equity (RM)	**111,291,356**	104,825,494
Debt-to-equity ratio (%)	**90**	73

The Group and certain subsidiaries are required to comply with externally imposed capital requirements on gearing ratio, leverage ratio and maintain certain net worth in respect of their bank borrowings. The Group and these subsidiaries have complied with those capital requirements.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings/(accumulated losses) of the Group and of the Company at the reporting date are analysed as follows:

	Group	
	2013 RM	**2012 RM**
Total retained earnings of the Company and its subsidiaries		
– realised	**95,770,647**	91,589,844
– unrealised	**1,896,967**	18,009
	97,667,614	91,607,853
Total share of retained earning/(accumulated losses) from associates		
– realised	**31,708**	(440,338)
	97,699,322	91,167,515
Less: Consolidation adjustments	**(17,974,302)**	(16,675,489)
Total retained earnings	**79,725,020**	74,492,026

	Company	
	2013 RM	**2012 RM**
Total retained earnings/(accumulated losses) of the Company		
– realised	**945,406**	(97,798)
– unrealised	**470,966**	(98,672)
Total accumulated losses	**1,416,372**	(196,470)

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

Postal Address/ Title Details	Description/ Existing Use	Tenure/ Date of Expiry of Lease	Restriction in Interest/ Encumbrances	Date of Issuance of Certificate of Fitness for occupation	Land Area and/or Built-Up Area	Approximate Age of Building	Net Book Value as at 31.12.2013 (RM)	Year of Last Valuation
Samchem Sdn Bhd								
Lot 6, Jalan Sungai Kayu Ara 32/39 Seksyen 32, 40460 Shah Alam Selangor Darul Ehsan H.S.(D) 57951 Lot no. 18, PT 57359 Mukim and Daerah Kelang Selangor Darul Ehsan	Single storey detached warehouse annexed with a 3-storey office building and a guard house/ Industrial	Freehold	Nil/ Charges in favour of Maybank Berhad ("MBB") vide presentation no. 34391/2004, 34392/2004, 34393/2004 all dated 04.06.2004, 4087/2005 dated 31.01.2005, 9549/2006 and 9550/2006 dated 21.02.2006, 118146/2006 dated 27.12.2006 and 81512/2008 dated 26.08.2008	29.01.2007	103,431 sq. ft/ (78,470 sq. ft)	6 years	9,501,142	2008
No. 3, Jalan Biola Satu 33/1A, Elite Industrial Park Seksyen 33, 40350 Shah Alam Selangor Darul Ehsan (Rented out/semi-detached factory) H.S.(D) 51789, PT 43437 Mukim and Daerah Klang Selangor Darul Ehsan	Two adjoining 1½-storey semi-detached factories/ Industrial	Freehold	Nil/ Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51868/2000 dated 30.08.2000 • MBB vide presentation no. 118130/2006 dated 27.12.2006	29.10.1998	10,887 sq. ft/ (6,678 sq. ft)	15 years	770,620	2008
No. 1, Jalan Biola Satu 33/1A, Elite Industrial Park Seksyen 33, 40350 Shah Alam Selangor Darul Ehsan (Rented out/semi-detached factory) H.S.(D)51790, PT 43438 Mukim and Daerah Klang Selangor Darul Ehsan		Freehold	Charges in favour of: • The Pacific Bank Berhad vide presentation no. 51870/2000 dated 30.08.2000 • MBB vide presentation no. 118180/2006 dated 27.12.2006 and 81502/2008 dated 26.08.2008	29.10.1998	14,757 sq. ft/ (6,678 sq. ft)	15 years	970,499	2008
Eweny Chemicals Sdn Bhd								
17, Persiaran Rishah 14 Kawasan Perindustrian Silibin 30100 Ipoh, Perak Darul Ridzuan PN 37791, Lot 128232 Locality of Hulu Kinta Mukim of Hulu Kinta District of Kinta Perak Darul Ridzuan	A 2-storey office building with an annexed single storey detached factory and a single storey open sided store building (new extension at the back of factory). Building / Industrial A parcel of industrial land	Leasehold – 60 years expiring on 22.03.2045	Land cannot be transferred, sub-leased or leased without the consent of the Chief Minister of Perak. The restriction is exempted as long as the property is owned by Perbadanan Kemajuan Negeri Perak. Charges in favour of Public Bank Berhad vide: • Presentation no. 20972/1992 Jilid 4488 Folio 17 and Presentation no. 20973/1992 Jilid 4488 Folio 18 dated 14.07.1992; • Presentation no. 1685/1996 Jilid 6869 Folio 9 dated 19.01.1996; • Presentation no. 29190/1998 Jilid 8948 Folio 15 dated 25.08.1998; • Presentation no. 15299/2002 dated 05.04.2002; and • Presentation no. 15719/2004 dated 01.04.2004	20.11.1992/ 11.05.1999	27,384 sq. ft / (19,785 sq. ft)	21 years	861,657	2008

Postal Address/ Title Details	Description/ Existing Use	Tenure/ Date of Expiry of Lease	Restriction in Interest/ Encumbrances	Date of Issuance of Certificate of Fitness for occupation	Land Area and/or Built-Up Area	Approximate Age of Building	Net Book Value as at 31.12.2013 (RM)	Year of Last Valuation
Eweny Chemicals Sdn Bhd								
HS (D) 202668 No. PT 243928 Mukim Hulu Kinta Perak Darul Ridzuan	Vacant land / Industrial	Leasehold – 60 years expiring on 17.11. 2071	Land cannot be transferred, sub-leased or leased without the Consent of the Chief Minister of Perak. Charge in favour of Hong Leong Bank Berhad (HLBB) vide presentation no. 103901/2012 dated 09.03.2012.	N/A	9,106 m^2	N/A	2,884,042	2012
TN Chemie								
No 15, Jalan S/S2 Taman Industri Sri Sulong 83020 Batu Pahat Johor Darul Takzim GM5374, Lot 15047 Mukim Simpang Kiri Daerah Johor	Single storey detached factory with an annexed double storey office building	Freehold	Land held under this title cannot be transferred whatsoever unless the factory specified in the express condition has started construction in accordance with the plan that was approved by the relevant local authority.	30.06.1997	7,200 sq. ft	16 years	405,750	–
PTD 152691, Jalan SILC 2 SILC, 81550 Gelang Patah Johor Darul Takzim	2 block of single storey factory and 1 block of 3-storey office building	Freehold	Charges in favour of HLBB vide presentation no. 66343/2008 dated 19.08.2008	03.03.2009	4,505 acres / 3,612.16 m^2	4 years	8,063,489	2009
H.S. (D) 440468 Lot No. PTD 152691 Mukim Pulai, Johor Bahru Johor Darul Takzim	Additional of 2 block of single storey factory			11.10.2012	3,921.66 m^2	1 year	3,333,378	–

Authorised share capital	:	RM100,000,000
Issued and paid-up share capital	:	RM68,000,000
Class of shares	:	Ordinary shares of 50 sen each
Voting rights	:	One vote per ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS
AS AT 2 APRIL 2014

	No. Of Shareholders	% Of Shareholders	No. Of Shares	% Of Shares
Less than 100	9	0.90	204	0.00
100 - 1,000	150	14.99	71,322	0.05
1,001 - 10,000	462	46.15	2,840,400	2.09
10,001 - 100,000	307	30.67	9,845,962	7.24
100,001 - less than 5% of the shares	69	6.89	39,791,307	29.26
5% and above	4	0.40	83,450,805	61.36
	1,001	100.00	136,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name of Shareholders	No. of Shares	%	No. of Shares	%
Ng Thin Poh	59,380,402	43.66	100,000*	0.07
Ng Soh Kian	9,797,279	7.20	684,000*	0.50
Dato' Ng Lian Poh	8,261,763	6.07	527,100*	0.39
Tan Teck Beng	6,881,661	5.06	30,000*	0.02

* Indirect interest held by spouse and children

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Shareholders	No. of Shares	%	No. of Shares	%
Ng Thin Poh	59,380,402	43.66	100,000*	0.07
Ng Soh Kian	9,797,279	7.20	684,000*	0.50
Dato' Ng Lian Poh	8,261,763	6.07	527,100*	0.39
Chooi Chok Khooi	4,661,046	3.43	–	–
Dato' Theng Book	–	–	–	–
Lee Kong Hoi	104,000	0.08	–	–
Cheong Chee Yun	–	–	–	–

* Indirect interest held by spouse and children

LIST OF TOP 30 SHAREHOLDERS

AS AT 2 APRIL 2014

No.	Name	No. of Shares	% of Issued Shares
1	Ng Thin Poh	59,380,402	43.66
2	Ng Soh Kian	8,926,979	6.56
3	Dato' Ng Lian Poh	8,261,763	6.07
4	Tan Teck Beng	6,881,661	5.06
5	Chooi Chok Khooi	4,661,046	3.43
6	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Gim Leong*	3,136,600	2.31
7	Eugene Chong Wee Yip	2,805,620	2.06
8	Maryann Ng Su Ling	2,797,700	2.06
9	SJ Sec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Michael Lee Fook Soon (SMT)*	2,727,000	2.01
10	Ng Hoi Peng	2,300,000	1.69
11	Wee Chai Peng	2,232,500	1.64
12	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui*	1,323,300 *105434571*	0.97
13	Michael Lee Fook Soon	1,000,000	0.74
14	Tan Soon Hock	970,000	0.71
15	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Soh Kian*	870,300	0.64
16	Choo Chee Chien	773,900	0.57
17	Liew Hooi Yee	681,800	0.50
18	Liew Hooi Suan	659,000	0.48
19	Choo Chee Keun	609,700	0.45
20	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Yee Hui (KLC/KEN)*	608,400	0.45
21	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hoi Peng (E-SJA)*	607,300	0.45
22	Tien Siew Foon	555,000	0.41
23	Lee Ah Noi	527,100	0.39
24	Janet Chee Hong Lai	500,000	0.37
25	Louis Lee Pershung	500,000	0.37
26	Tan She Hoo	430,000	0.32
27	Tee Pee Hoe	422,400	0.31
28	Chooi Chak Lim	399,459	0.29
29	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Hou Kait (E-SPG)*	315,000	0.23
30	Tan Bee Ngoh	309,500	0.23
Total		**116,173,430**	**85.42**

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of Samchem Holdings Berhad will be held at Danau 3, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan, Thursday, 22 May 2014 at 9.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2013 and the Report of the Directors and Auditors thereon. **(Note A)**
2. To declare a First & Final Single Tier Dividend of 2.5 sen per shares for the financial year ended 31 December 2013. **(Resolution 1)**
3. To approve the payment of Directors' Fees amounting to RM117,000 in respect of the financial year ending 31 December 2014. **(Resolution 2)**
4. To re-elect the following Directors who retire pursuant to Article 97(b) of the Company's Articles of Association:

   (i) Ng Thin Poh **(Resolution 3)**

   (ii) Dato' Ng Lian Poh **(Resolution 4)**
5. To re-appoint Messrs. Baker Tilly AC as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 5)**

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following resolutions:

6. **ORDINARY RESOLUTION**

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 **(Resolution 6)**

   "THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Securities Commission, Bursa Malaysia Securities Berhad and other relevant governmental and/or regulatory authorities, if applicable, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company for the time being; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Any Other Business

7. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965. **(Resolution 7)**

NOTICE OF DIVIDEND PAYMENT AND DIVIDEND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Annual General Meeting to be held on 22 May 2014, a first & final single tier dividend of 2.5 sen per share will be paid on 11 July 2014 to shareholders whose names appear in the Company's Record of Depositors on 13 June 2014.

A Depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 13 June 2014 in respect of transfers; and

b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WONG YOUN KIM (F)(MAICSA 7018778)
Company Secretary

KUALA LUMPUR
30 April 2014

Notes:

(A) THE AGENDA ITEM IS MEANT FOR DISCUSSION ONLY AS THE PROVISION OF SECTION 169(1) OF THE COMPANIES ACT, 1965 DOES NOT REQUIRE A FORMAL APPROVAL OF THE SHAREHOLDERS FOR THE AUDITED FINANCIAL STATEMENTS. HENCE, THIS AGENDA ITEM IS NOT PUT FORWARD FOR VOTING.

(B) PROXY

(i) A member of the Company entitled to attend and vote at this Meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(ii) Subject to Note B (v) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(iii) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney duly authorised.

(iv) To be valid, the instrument appointing a proxy or by an officer and the power of attorney or other authority (if any) must be completed and deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act,1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) Only a depositor whose name appears on the Record of Depositors as at 16 May 2014 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

(C) EXPLANATORY NOTES ON SPECIAL BUSINESS

Renewal of Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.

The proposed Resolution 6, if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Sixth Annual General Meeting held on 22 May 2013 and which will lapse at the conclusion of the Seventh Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

PURSUANT TO PARAGRAPH 8.28(2) OF THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

1. Directors who are standing for re-election at the 7th Annual General Meeting of the Company are:

a)	NG THIN POH	(Resolution 3)
b)	DATO' NG LIAN POH	(Resolution 4)

2. The details profile of the above Directors who are standing for re-election are set out in the Directors' Profile set out on pages 4 to 5 of the Annual Report.

3. The details of the Directors' attendance for Board Meetings are disclosed in the Corporate Governance Statement on page 9 of the Annual Report 2013.

4. The 7th Annual General Meeting of the Company will be held at Danau 3, Kota Permai Golf & Country Club, No 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 22 May 2014 at 9.30 a.m.

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SAMCHEM HOLDINGS BERHAD

(Company Number 797567-U)

*I/*We ______________________________

(Full Name in Block Capitals)

of ______________________________

(Address)

being a member/members of Samchem Holdings Berhad, hereby appoint ______________________________

(Full Name in Block Capitals)

____

of ______________________________

(Address)

or failing him/her, ______________________________

or, *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Seventh Annual General Meeting of the Company to be held at Danau 3, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning Section 31, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 22 May 2014 at 9.30 a.m. and at any adjournment thereof.

*My/*Our Proxy(ies) is/are to vote as indicated below :

NO. RESOLUTIONS	FOR*	AGAINST*
1. Declaration of a First & Final Single Tier Dividend of 2.5 sen per shares for the financial year ended 31 December 2013.		
2. Approval of payment of Directors' fees for the financial year ending 31 December 2014.		
3. Re-election of Director – Ng Thin Poh		
4. Re-election of Director – Dato' Ng Lian Poh		
5. To re-appoint Messrs. Baker Tilly AC as Auditors of the Company and to authorise the Directors to determine their remuneration.		
6. **Special Business** – Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with an "X" in the appropriate space above how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

NUMBER OF SHARES HELD	

Dated this .... day of .... 2014.

....

Signature/Seal of Shareholders

(* Delete if not applicable)

Notes:

(a) A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies (or being a corporate member, a corporate representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

(b) Subject to (e) below, where a member appoint two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

(c) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney or in the case of a corporation executed under its common seal signed on behalf of the corporation by its attorney or by an officer duly authorised.

(d) Duly completed form of proxy should be deposited with the Company's Registered Office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll).

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(f) Only a depositor whose name appears on the Record of Depositors as at 16 May 2014 shall be entitled to attend the said meeting and to appoint a proxy or proxies to attend, speak and/or vote on his/her behalf.

STAMP

To:

Samchem Holdings Berhad (797567-U)

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur